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Daily Report

Annex

East Asia

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East Asia
ANNEX

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Japan

Kaifu Says Gorbachev Approved Baltic 'Crackdown'

OW1601150391 Tokyo JIJI in English 1424 GMT 16 Jan 91—FOR OFFICIAL USE ONLY

[Text] Tokyo, Jan. 16 (JIJI PRESS)—Prime Minister Toshiki Kaifu Wednesday expressed the view that Soviet President Mikhail Gorbachev was more or less implicated in Soviet military intervention in the reform-minded Baltic republics of Lithuania and Latvia.

He thinks that there was a certain degree of President Gorbachev's approval for the military actions in the two Soviet republics, Kaifu told reporters at his official residence.

The Soviet Defense and Interior ministers earlier said the use of force was ordered by local military commanders at their own discretion and Gorbachev himself said that he was not involved, Kaifu said. But Kaifu questioned the Kremlin's claim, saying he does not think the Soviet military decided by itself to resort to arms.

Soviet troops reportedly occupied Lithuanian government facilities Sunday, killing 14 people and injuring more than 140, and raided police buildings in Latvia Tuesday.

Following the crackdown in Lithuania, Chief Cabinet Secretary Misoji Sakamoto Monday suggested that Japan will review its already endorsed emegency aid program for the Soviet Union if the suppression was ordered by Gorbachev.

Nakayama Hints at Review of Aid to USSR

OW1401133091 Tokyo JIJI in English 1245 GMT 14 Jan 91—FOR OFFICIAL USE ONLY

[Text] Washington, Jan. 13 (JIJI PRESS)—Visiting Japanese Foreign Minister Taro Nakayama, voicing concern about the Soviet use of force against Lithuania, Sunday indicated the possibility of Japan fully reviewing its aid to the Soviet Union.

It seems that the Soviet perestroika reform program might be heading in a wrong direction, so Tokyo intends to negotiate with other Western nations for a review of assistance to Moscow, Nakayama told reporters here. His remark was taken as indicating that Japan may implement a wholesale review of aid to the Soviet Union, including the emergency aid agreed on last month.

Nakayama arrived here Sunday morning for talks with President George Bush and Secretary of State James Baker. He said the Soviet use of force in Lithuania is a matter of regret and hoped that the current situation in the breakaway republic will be resolved peacefully. He thus indicated that he will take up Lithuania at his meetings with Bush and Baker, both slated for Monday afternoon.

Nakayama also said his talks with his Soviet counterpart Eduard Shevardnadze will be held in Moscow Jan. 22 and 23 as scheduled. He will use the Moscow talks to dissuade the Kremlin from resorting to arms in settling disputes with secessionist Soviet republics and encourage Soviet leaders to push along with the basics of perestroika, he said.

Official on Decision To Freeze USSR Aid

OW1501105191 Tokyo NIHON KEIZAI SHIMBUN in Japanese 15 Jan 91 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] A top Finance Ministry official made it clear on 14 January that should the Soviet armed intervention in the Lithuanian Republic be prolonged, Japan can reconsider its earlier decision to provide assistance to the Soviet Union. The government thinks that the basis for Japan's support for perestroyka (restructuring) is being shaken from the foundation.

In this connection, the Finance Ministry decided on the same day to freeze the government's and private enterprises' emergency grant-type aid, assistance by the Japan Export-Import Bank, and technological assistance. All were under consideration. The freeze will be enforced until the conference of seven nations (G7) comes to a conclusion on the matter.

Referring to the Soviet Union's use of force, the top Finance Ministry official said that "my honest view is that the situation will have an impact on the G7 discussions." The G7 was supposed to discuss the question of admitting the Soviet Union as a special member of the IMF and the World Bank, and also providing technological assistance to the country. He suggested the possibility that all of these plans will be scrapped depending on further developments.

The Finance Ministry will begin to review its policies for the G7 meeting after it freezes the emergency aid decided upon late last year. The Soviet Finance Ministry was due to send some ranking officials to the Japanese Finance Ministry to learn about Japan's monetary and financial technics this month. The finalization of the scheduled visit will also be put on hold.

Diplomats Predict Erosion of Ties With U.S.

OW1401132991 Tokyo JIJI in English 1254 GMT 14 Jan 91—FOR OFFICIAL USE ONLY

[Text] Washington, Jan. 13 (JIJI PRESS)—Japanese diplomats in the United States were almost unanimous Sunday in predicting that lukewarm Japanese commitment to a Gulf crisis solution ahead will contribute to eroding U.S.-Japan relationships.

There is a spreading view in the United States that Japan is not making full contributions for the cause of Gulf peace, the officials argued at a meeting of representatives of U.S.-based Japanese missions.

Japan has to date pledged to extend a total of 4 billion dollars in aid to resolve the Gulf crisis, sparked by Iraq's invasion and occupation of Kuwait last August.

Sunday's meeting, held at the Japanese Embassy here, was joined by visiting Foreign Minister Taro Nakayama.

Touching on U.S.-Japan economic disputes, some participants warned that Japan will come under increased U.S. criticism in high- technology trade and such service sectors as legal service, real estate, aviation and motion pictures at this time of economic woes in the United States.

Specifically, Americans are beginning to regard Japan as a country powerful enough to buy out the whole of this country, as exemplified by the purchases of U.S. motion picture firms, a longtime symbol of the United States, they pointed out.

Other diplomats, meanwhile, reported that the attacks of Japan by revisionist Japanologists have (?not peaked out.)

Cabinet Chief Remarks on Gulf Situation

OW1001173891 Tokyo JIJI in English 1326 GMT 10 Jan 91—FOR OFFICIAL USE ONLY

[Text] Tokyo, Jan. 10 (JIJI PRESS)—The government places high hopes on diplomatic efforts by U.N. Secretary-General Javier Perez de Cuellar for a peaceful settlement of the Persian Gulf crisis, Chief Cabinet Secretary Misoji Sakamoto said Thursday.

Sakamoto told reporters that it was regrettable that talks between U.S. Secretary of State James Baker and Iraqi Foreign Minister Tariq 'Aziz ended in failure in Geneva Wednesday.

But Japan will seek a peaceful solution to the last minute, he said.

Perez de Cuellar told reporters in New York Wednesday evening that he will meet with Iraqi President Saddam Husayn in Baghdad Saturday, three days before the U.N. deadline for Iraq's withdrawal from Kuwait.

Sakamoto said Iraq has to pull out of Kuwait completely for a peaceful settlement.

The Gulf situation is becoming gloomy but hopes of resolving the crisis peacefully have not disappeared, Sakamoto said.

The government hopes for a strong initiative by the U.N. chief, he said.

Takako Doi, Saddam Husayn Talks Summarized

OW1501050791 Tokyo ASAHI SHIMBUN in Japanese 14 Jan 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

["Summary" of remarks by Japan Socialist Party Chairwoman Takako Doi and Iraqi President Saddam Husayn in their talks at noon on 13 January in Baghdad—filed by correspondent Miyada]

[Text] Baghdad, 13 Jan—[Doi] Mr. President, you appear to have majored in law in college. I studied the Constitution in college. While studying the Constitution, I realized, among other things, how human rights, freedom, and peace are important. Principles and truth must be applied fairly and justly to all the people.

[Husayn] Laws must be used objectively.

[Doi] Mr. President, you are said to have fought for Arab unification, freedom, and socialism. I think this means that you have thought seriously of impoverished and nameless people. From that standpoint, we need to cooperate as much as possible.

Twenty million Asians lost their lives in an aggressive war waged by Japanese militarism. Atomic-bomb victims in Japan are still suffering. Any attempt to use nuclear weapons for the third time to kill people should be blocked worldwide. The Japanese Government submitted a bill on UN peace cooperation to the Diet with the aim of sending the Self-Defense Forces abroad, taking advantage of the Middle East situation. We fought hard to kill the bill in the Diet. This is an indication of our reflections on the aggressive war. Mr. President, you have announced a proposal on the Middle East issue and it is of great significance. I hope an international conference on Middle East peace will be held at the earliest possible moment. I have strongly urged the Japanese Government to back this.

[Husayn] Do you mean an international conference on the Palestinian issue, or all issues?

[Doi] I mean an international conference on all issues. I support a proposal by French President Mitterrand and I am in the position to cooperate with his proposal. We want to work in Asia and Europe to hold such an international conference. President Mitterrand and I confirmed this.

[Husayn] It is important to work together to open a way.

[Doi] Under this situation, let us work together to hold the international conference and to open the way. Mr. President, I hope you will not close your door when the international conference is held. The Japanese Constitution explicitly stipulates that force shall not be used as a means to resolve international conflicts. President Mitterrand told me that "if Iraq expresses its intention of withdrawing from Kuwait, a way will be surely opened," and then asked me to "convey this to you without fail." I hope the Iraq- Kuwait issue will be resolved peacefully. Mr. President, I hope you will exercise leadership for peace.

[Husayn] The question is that President Bush holds leadership for war. We are aiming for a peaceful settlement and thinking of opening our door for a peaceful settlement. We shall not yield to threats so long as President Bush does not renounce the threat. We have not sent our troops to the United States. Although Japan has not sent any troops, it has provided billions of dollars in aid to the multinational force. This means that the Japanese Government does not respect Japan's peace-orientated Constitution. I hope that, if Japan has money enough to give to the multinational force, it will give the money to Palestinian adults and children. We hope for peace and we want to open the way. However, the way should not be surrender. The Palestinian issue should be resolved by the providence of God and one standard instead of double standards. Issues in the Middle East should be resolved at once. If some issues remain unresolved, we cannot feel relieved.

There are many nations in Arabia. Once an Arab nation is attacked, other Arab nations rise up—19 Arab nations rise against the attack. One billion Muslims in the world will fight alongside the Iraqis in a holy war with a resolve to become martyrs. Ms. Doi, you mentioned the opening of a door for peace, and I agree with your idea. I appraise any plans to discuss everything at the international conference on Middle East peace and want to participate in drawing up such plans. We intend to make concessions like other nations at the conference.

[Doi] I hope you will work to resolve the crisis through dialogue. President Mitterrand said that "any suggestion on the withdrawal of troops will open the way," and I agree with him.

[Husayn] If Iraq pulls out its troops first, what will happen next?

[Doi] Iraq will not be attacked and the multinational force will be withdrawn. Then, a way will be open for holding the international conference.

[Husayn] No legal borderline has ever been drawn between Iraq and Kuwait. How far should we pull back?

[Doi] I have heard that an agreement has been reached at a meeting of the Ba'th Party.

[Husayn] Israel should withdraw first from its occupied Palestinian lands, and this is my position. The solution of the Palestinian issue should come before the Kuwait issue. I want to work to resolve issues in a balanced way.

[Doi] Please, continue dialogue with the United Nations and the United States. What about talks with Secretary General Perez de Cuellar?

[Husayn] I am due to meet with him today.

[Doi] I hope you will suggest that Iraq will pull its troops out of Kuwait.

[Husayn] If President Bush has made any decisions, any suggestion of mine for peace will become useless. Peace is created by the providence of God.

[Doi] The pullout of troops from Kuwait is not yielding to pressure. This is a hope of all people in the world. I hope you will attach importance to dialogue with the United Nations, the United States, and France. I wish you success.

[Husayn] I am really satisfied with these talks. I think these talks were of great significance.

Middle East Worries Spur Oil Development

OW1101074591 Tokyo THE JAPAN ECONOMIC JOURNAL in English 12 Jan 91 p 13—FOR OFFICIAL USE ONLY

[By Nobuyuki Oishi, staff writer]

[Text] Four kilometers off the coast of Niigata Prefecture, the start of operations last month at the Iwafune Offshore oilfield marked a new chapter in Japan's domestic petroleum industry.

Stagnant since the early 1980s, Japanese development of its own energy fields is again in the spotlight as oil companies mull how events in the Persian Gulf will affect the future supply and price of oil and gas.

The new Iwafune Offshore oilfield, which sits off the Sea of Japan and is the nation's largest Offshore oil field, is expected to initially yield 1100 kiloliters of crude oil (or about 692 barrels) and 30,000 cubic meters of natural gas a day. By 1992, production is likely to be 10 times higher.

The oil and natural gas will make little dent in Japan's need for imported energy—In 1989, Japan imported an average 3.58 million barrels a day and was the world's second largest oil importer after the U.S.

At the same time, production of Iwafune Offshore oil, a light crude that was discovered eight years ago, is seen as the start of a new wave of oil and gas exploration and exploitation in and around Japan. Other potential energy sites include Kanbara in Niigata Prefecture, Iwaki in Miyagi Prefecture and the Yufutsu gas field in Hokkaido, Japan's largest northern island.

Says Yukio Harada, execcutive director of the Japan Natural Gas Association and Japan Offshore Petroleum Development Association: "If oil continues to be traded at more than $20 a barrel, development of oil fields in Japan will be active."

Given the current rate of exploitation, the Government believes that Japan can double its energy self-sufficiency within five years.

In 1989, Japan was a minute 0.3% self-sufficient in crude oil, compared with 58.8% in the U.S. and 24% in the European Community. Japan also produces about 5% of the natural gas it needs. Before World War II, Japan's rate of energy self-sufficiency reached almost 30%.

The Iwafune Offshore oilfield has been developed by four Japanese oil companies—the Japan Petroleum Exploration Co. (JAPEX), a semi governmental company; JAPEX Offshore Ltd.; Niigata Oil Exploration Co.; and Mitsubishi Gas Chemical Co.

JAPEX, Japan's leading domestic oil development company, will build a 340-km Y50 billion pipeline connecting its main natural gas fields in Niigata with Sendai City in Miyagi Prefecture, according to Sadahiro Koizumi, JAPEX's corporate Planning Department general manager.

"We will start providing Sendai with natural gas from 1995, covering almost 100% of home use gas and also use a percentage of the gas in electric power plants," he said.

Koizumi added that JAPEX will decide in a year or two whether to exploit a promising gas field in Yufutsu in Hokkaido.

Meanwhile, Taikoku Oil Co., another leading domestic oil development company, is looking at exploiting domestic oil fields at Kanbara in Niigata Prefecture and Iwaki in Miyagi Prefecture, according to Tomoya Takei, the company's president.

"We expect that these fields will match the Iwafune Offshore oilfield," he said.

Taikoku Oil produced about 900,000 kiloliters of crude oil and natural gas, in Niigata, Miyagi and Kita prefectures last year.

Further, because oil prices have been rising, the company will drill more test wells this year, a spokesman said.

To help keep costs down, the companies rely on Japanese government support of domestic oil production. The Government offers low interest rate loans for up to 80% of the total cost of companies' trial drillings.

According to the Agency of Natural Resources and Energy's seventh five-year domestic oil development plan, total production of crude oil and natural gas in Japan will expand to 4.37 million kiloliters per year in 1995, about twice that of 1989.

The agency, which falls under the Ministry of International Trade and Industry, will make two experimental drillings for oil every year for five years at a cost of more than Y10 billion.

"To achieve the plan's goal, government and private companies should invest almost Y200 billion in total over the five years," an agency official said.

According to industry spokesmen, the oil companies see domestic development as a way to improve their technical and management know-how in exploiting energy overseas.

Taikoku oil, for example, developed oil fields and started production in West Bakr, Egypt, in 1980 and in East Kalimantan, Indonesia, in 1988.

Closer to Japan, both the Government and companies believe that the East China Sea, around the border of China and South Korea, offers most promise for oil development.

"The area is estimated to have the same oil reserve as the North Sea," an industrial observer said.

Nippon Oil Co., Japan's leading oil company, is looking for a partner to develop the area and has been negotiating with the South Korean government to start a new round of oil development there. While the company explored the East China Sea for oil between 1980 and 1986, it did not find exploitable reserves.

Another promising area lies around the Senkaku Islands, which are claimed by Japan, China, and Taiwan.

"Development of this area will not be allowed by these governments for at least the next five years. But we hope to develop as soon as possible," said the oil development association's Harada.

China recently invited Japanese oil companies to jointly develop a promising inland oilfield, Tarim Pendi, which is estiamted to be the nation's bigest.

In exchange, Japan would contribute financial and technological help. At one time, Beijing said it would develop the project on its own.

"China's rigid stance has been changing. In the foreseeable future, joint oil development of the East China Sea will come true," said an industry analyst.

Oil exploitation in Japan started more than 100 years ago when Nippon Oil Co. was established in 1888.

Until the 1950s, oil was exploited in Niigata, Yamagata, and Kita prefecturs facing the Sea of Japan.

Since World War II, most indigenous crude oil has been developed by Taikoku Oil and JAPEX in those areas and in small oilfields in Hokkaido.

Total production in Japan peaked at 901,000 kiloliters in 1970 and was 653,000 kiloliters in 1989.

AKAHATA Interview With JCP Chairman, Part 4

OW0801103591 Tokyo JPS in English 0941 GMT 8 Jan 91—FOR OFFICIAL USE ONLY

[Part four of 1 Jan interview with Kenji Miyamoto, chairman of the Central Committee of the Japanese Communist Party (JCP) by AKAHATA correspondent Kawamura]

[Text] Tokyo Jan 8 JPS—The Asia Question—**The Cambodia Situation, Restoration of Japan-Korea Relations and Other Questions**

Kawamura: That shall be the task for AKAHATA to carefully monitor this year. In the international arena, there are some new moves in Asia, where we live, including Japan's relations with North Korea and the Cambodia situation. We would like to have your comments on this point.

(Solution of Cambodia Question and No Intervention by the Big Powers)

Miyamoto: I want to refer to the question of Asia because it is important region where we live. The Japanese Government said in the Diet that the Cambodia question must follow the Iraq question and that the peace keeping operation of the United Nations will be helpful for that. The efforts of the concerned member countries of the United Nations on the Cambodia question can not be dismissed, but we must not overlook a very dangerous aspect of the proposal of the 5 permanent members of the U.N. Security Council. It is a proposal that the United Nations for a while virtually acts as the custodian of the Cambodian administration, which is interference in the internal affairs of a country.

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China in particular is still aiding the Pol Pot by the supply of weapons. This is an example which shows how anachronistic the hegemony and big power chauvinism of some socialist countries is.

Categorically, the big power chauvinism and hegemony of some socialist countries is what there must not be in these countries. Hegemony is a product of imperialism. The hegemonic actions by some countries calling themselves socialist has given the Iraqi president a pretext for his country to commit an act of hegemony. The U.S. supporting Israel's war (on Palestine people) for more than 30 years is another encouragement for Iraq's aggression.

What has made Iraq into a hegemonic power can partly be found in the massive weapons and economic aid provided by big powers for the Iran-Iraq war, by both imperialist and socialist countries. This fact has prepared Iraq for a major war as if it were a war for a great cause.

The Cambodia question should be resolutely settled, leaving no room for intervention by the big powers. The delegation of the Japanese Communist Party led by Hiroshi Tachiki, vice-chairman of the Central Committee of the JCP, visited Vietnam and Cambodia last November to December. The JCP delegation heard these two countries concerned state their strong determination not to allow foreign interference any more, because such interference means meddling in the country's internal affairs, which is a sheer violation of the spirit of the United Nations.

But the Japanese Government has a plan to dispatch Japanese personnel to Cambodia, saying that every U.N. activity is acceptable. The U.N. peace keeping operation, however, consists mainly of military personnel, who go to the front line in a war. From the position of defending the constitution, it is only right that Japan should consistently stay away from such a military-based operation.

(Restoration of Diplomatic Relations Between Japan and North Korea Is Consequent)

As for the Korean question, the JCP had opposed any colonial rule before and during the war period, and now we think it is desirable that North Korea and Japan restore diplomatic relations, although it is too late. Some newspapers reported this as if we had not welcomed the restoration of diplomatic relation between the two countries. They made a wrong guess.

If we coolly look over the after the war history of divided Korea, we acknowledge that North Korean president, Kim Il-song made errors based on its hegemonism, despite it being a small country. The delegation of the Liberal Democratic Party and the Japan Socialist Party agreed with North Korea on "compensation for the postwar period", following the North Korean interpretation of the words, which cannot be justified if we interpret the words based on a scientific view of history. Of course South Korea had been ruled by a dictatorial government and the present Japan-ROK treaty provides that the ROK is the sole government representing Korea. North Korea also claims to be the sole government representing Korea. While the JCP welcomes the restoration of diplomatic relations between Japan and North Korea, we emphasize that it is necessary for South and North Korea to abandon their hegemonistic standpoint of regarding themselves as the sole Korean government. We correctly stressed this view in the statement published in the name of the chairman of the International Commission of the C.C. [Central Committee], Mutsumi Sasaki.

Also in Nepal and Bangladesh, moves towards democracy are proceeding, although the course is one of twists and turns. We hope for their successful advance. I received a letter from a Nepalese.

Political Situation in Japan and the Struggle of a Wide Section of the People

Kawamura: Now let's change the subject to the problems of Japan.

Looking back on the affairs of last year, the February general election gave the Liberal Democratic Party more than half the seats in the House of Representatives, but in the extraordinary session of the Diet in the fall we succeeded in making the LDP government withdraw the "United Nations Peace Cooperation" Bill. On top of this, progressive forces in Okinawa Prefecture won the gubernatorial election and brought into being a progressive prefectural administration after a twelve year interval. Would you talk about how we should generally see this trend in the political situation in the country?

(High Assessment and Attention for the Struggle of a Wide Section of the People)

Miyamoto: The maintenance of political power for many years by the Liberal Democratic Party can be attributed to the control of Japan by the United States and to the anti-communist parties' line of "exclusion of the Japanese Communist Party." Even after failing to achieve its original policy goal because of the people's criticism, the LDP has been able to find another way for achieving virtually the same goal by taking advantage of the anti-communist line of some of the opposition parties. After the LDP was forced to withdraw the sales tax bill, it resorted to the very elaborate trick of proposing the consumption tax as an alternative option.

Nevertheless, we should pay attention to the important fact that the Japanese people are carrying on a persevering struggle in many fields day after day in protest at the rule by the United States and the Liberal Democratic Party. In the gubernatorial election in Okinawa Prefecture in November, the Communist Party, Socialist Party, and Socialist Mass Party organized a coalition covering a wide range of prefectural people, and won the election.

Some ask why, then, have we not been able to build a national progressive united front, and why have we failed to win a victory in the elections. Social progress follows a course of complexity and contradiction. Of importance in present conditions in Japan is to give attention to and highly value the struggle carried on by people from wide sections.

Developments in the international situation in these last months show that the United States and some other countries are still controlling the world, clinging to their military bloc. This is the real picture of what they call the "post-cold war" era. The joint statement by the NATO defense ministers' council on December 7 declared that it was necessary to maintain a suitable level of both nuclear and conventional forces, and keep them up-to-date, as necessary. In other words, the stress was put on arms with the most up to date nuclear and conventional weapons. In these circumstances the Japanese people have no other way but to struggle for real peace. In this context the "Hiroshima-Nagasaki appeal" signature campaign and the activity of the association for a non-nuclear government acquire a greater importance.

*Events Denote Comeback of Taisho Era Politicians

912B0048A Tokyo SHUKAN TOKYO KEIZAI in Japanese 24 Nov 90 pp 72-73—FOR OFFICIAL USE ONLY

[Article by political commentator, Keiichiro Nakamura]

[Text] The eighth of November turned into a day that made us wonder about the future map of the political world in Japan.

First, before noon of that day, former Prime Minister Nakasone came home from Iraq accompanied by 74 hostages. "I did not make any promises. I did not leave any papers (official documents)," proclaimed Nakasone at a press conference as if to insinuate that his team was not foolish enough to make mistakes like Kanemaru's delegation which visited North Korea (Democratic People's Republic of Korea).

People who are critical of Nakasone's past speeches and conduct cannot condemn or attack what he did this time to rescue the hostages. Nakasone's stock as a public person shot up and there is an emerging sign that he may be reinstated in the political world.

The former prime minister last week visited the United States to talk with former Presidents Carter and Ford. It is also noteworthy that Nakasone was accompanied by friends who are influencial dietmen of various factions and once served as ministers in the Naskasone cabinet such as Tokuo Yamashita (Kawamoto faction), Kiyoshi Mizuno (Miyazawa faction), and Kozo Watanabe (Takeshita faction).

In other words, former Prime Minister Nakasone, a politician of the Taisho era, is steadily gaining his power back. This concurrently suggests resurrection of Taisho era dietmen who were removed from the front line of politics due to the Recruit scandal. Particularly, his trend is symbolized by Michio Watanabe who succeeded to leadership in the Nakasone faction.

It is said that Takeshita is also frequently in contact with Nakasone by telephone and other means of communication. "The relationship between the two are very close now," is the prevailing opinion. Nakasone's return to the front line also means that Takeshita is resurfacing. This inversely can be interpreted that Nakasone wants to seek former Prme Minister Takeshita's assistance for returning to the Liberal Democratic Party.

As for former Deputy Prime Minister Miyazawa, he is slightly positioned away from the personal ties of Nakasone, Watanabe, and Takeshita, but he shouldn't have any objection to the "overall comeback of the Taisho generation" since he is also an influencial member of the Taisho generation politicians.

Well, going back to the events which occurred on 8 November, Secretary General Ozawa of the LDP [Liberal Democratic Party] was frantically maneuvering to influence the opposition parties in the Diet on that day while Prime Minister Kaifu watched the activities intently at the official residence. The Kaifu-Ozawa team could not afford to be greatly attentive to the news of returned hostages getting top coverage on the TV. What preoccupied them were activities in the Diet.

That is because it was already decided that the "United Nations Peace Cooperation Bill" promoted primarily by the prime mnister and secretary general was going to be withdrawn. The Showa generation of Kaifu-Ozawa line suffered a tremendous defeat.

The well publicized 4 November by-election in Aichi for an upper house seat gave a narrow victory to the LDP candidate, and the two breathed a sigh of relief. If their candidate had not won, we would inevitably have heard rising voices questioning the prime minister's and secretary's responsibility for the failure.

Therefore, this time, Secretary General Ozawa, in his effort to stiffle critical arguments within the LDP, was desparately working to continue deliberation with the opposition parties even if the bill was to be withdrawn in the special session of the Diet. As a result, they reached an agreement among the three parties, LDP, Clean Government Party, and Democratic Socialist Party, before dawn on 9 November to the following effect, "Separately from the Self-Defense Forces, an organization will be instituted to cooperate with United Nations Peace Maintenance Activities."

However, the scar from the withdrawn "United Nations Peace Cooperation Bill" looms large. The secretary general proudly related, "The fact that we put this issue squarely on the table has had great significance." Nevertheless, it, in the end, failed to obtain approval from the people, indicating that the arguments and the technical procedure were definitely not persuasive.

"The LDP administration sustained such a great loss of credibility at home and abroad that ethically, the prime minister and the secretary general should naturally resign honoring their political responsibility," is a strongly heard unofficial voice within the LDP. That is interpreted as a vehement criticism of the three man structure, Kanemaru-Kaifu-Ozawa.

On the other hand, 8 November was the day when the comeback of the Taisho generation and the limitation of the incumbent Showa generation administration were demonstrated through the day's course of events.

Well, what will happen next? Kozo Watanabe, an executive of the Takeshita faction related: "We asked Kaifu to become prime minister in the summer of last year, and that is how the Kaifu administration was created. Therefore, the Takeshita faction, including me, will continue to support Kaifu until the end of his term, next autumn."

The Takeshita faction will not yield even one inch regardless of the discussions on political responsibility, which is perhaps a duty for the faction from which Secretary General Ozawa came.

What is strange about the LDP's politics is the fact that a situation such as the one being confronted now, which is naturally a reason to question the responsibility of the administration, will not come out in the open. Certainly at one time, Michio Watanabe indicated a posture questioning the responsibility of Prime Minister Kaifu by saying, "If the bill were to be withdrawn in the lower house, that calls for the dissolution of the Diet or the resignation en masse of the cabinet."

Former Deputy Prime Minister Miyazawa was also not totally in disagreement with it in his signals. However, Watanabe and Miyazawa closed their mouths after discovering that the Takeshita faction was not going to make any moves.

With the Abe faction, it is particularly younger dietmen within the faction who are the central focus of criticism. However, its leader Abe is missing due to his illness and it will be difficult to take new united action. After all, there is no way to remain unified unless it is with the Takeshita faction. Thus, even after withdrawing of the bill on which the life of the administration was staked, the question of the political responsibility in the LDP has blown to bits. That is a good example of today's corrupt political world.

Nonetheless, as mentioned previously, it is a reality that the Taisho generation's comback will result in heavy pressure emerging against the Showa's Kaifu-Ozawa system.

"The withdrawal of the bill did not knock out the Kaifu administration but was an effective body blow," is the general perception. There is an apprehension about whether the Kaifu administration can escape without harm events involving domestic and foreign tough issues such as the Uruguay Round, the land tax system, political reform, etc.

In the midst of this, there is a Kanemaru-Takeshita reconciliation rumor floating around, and there may be a possibility for support of Takeshita's reappearance. However, will the public accept such a resolution?

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* LDP's Neo-New Leaders Report Finances

912B0053A Tokyo SHUKAN JIJI in Japanese 27 Oct 90 pp 104-107—FOR OFFICIAL USE ONLY

[Text] **Following the Takeshita and Uno cabinets, last year saw the birth of the Showa generation Kaifu Toshiki's administration. It was a year that strongly reinforced the impression of generational change, with such things as the announcement of the retirements of three former prime ministers, Tanaka, Fukuda, and Suzuki.**

In this atmosphere new talented men, the so-called Neo-New Leaders (NNL), appeared, who bounded onto the front stage of the political world in the place of the New Leaders who had to be silent on the Recruit scandal. What are their fund-raising capabilities and financial structures like?

If we start with conclusions first, the fund-raising abilities of the NNL figures are not yet very strong compared to the New Leader heads of factions. The New Leaders have more than 10 political organizations lined up (the ones under jurisdiction of the Ministry of Home Affairs) and in contrast to the completed "money-gathering nets" of these New Leaders that spread out network-like, the NNL leaders have, with some exception, six or fewer organizations, and it seems we could say they are "developing."

A Thank-you To Mr Takeshita And Others For The Consumer Tax?—Minister of Finance Hashimoto

Among them there are Minister of Finance Hashimoto and former Minister of Labor Yamaguchi who have preeminent fund-raising ability said to be more than Y500 million annually. Last year the eight organizations in the Hashimoto line collected a total of Y329 million from individual and corporate contributions. Of these eight groups the core is the New Political Issues Research Association (Shinseiji Mondai Kenkyukai). This organization, besides giving Y30 million to the Government Association (Keisekai) also supplied election funds in Y1 million chunks for the candidacies of Gotaro Yoshimura and others for the lower house. It also purchased tickets for events, etc., mainly from Diet members of the Takeshita faction. In campaign funds allowances it has overwhelmingly propped-up the candidacy of Toranosuke Katayama, a candidate for the upper house from Mr. Hashimoto's home area, Okayama Prefecture, and Mr. Hashimoto too, with the best fund-raising ability among the NNL leaders, is still tinged with a strong "regional" coloration in his funds dispersement.

Furthermore, on 4 December of last year it contributed Y1 million each to former Prime Minister Takeshita, Secretary General of the Liberal Democratic Party (LDP) Ozawa, and LDP Diet Policy Committee Chairman (at that time, deputy director general) Muraoka. Because this was immediately after the general outlines for the reexamination of the consumer tax were decided upon, it seems we can say that the meaning of "thank you" was contained in the contribution to them as the ministers responsible for tax system reform.

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Close Attention To Faction Support—Former Minister Of Labor Yamaguchi

Last year Mr. Ryutaro Yamaguchi added three new organizations, "The "People's Life and Culture Research Association" (Kokumin Seikatsu Bunka Kenkyukai), "People's Government Research Association" (Kokumin Seiji Kenkyukai), and the "Ryu Rin" and wholeheartedly devoted himself to preparing the "collection plates." In Mr. Yamaguchi's case, direct supply of funds to the Diet members of the old Nakasone faction could not be observed, but still payments were made to the faction.

Last year the Cooperative Association for the Development of Iruma and Hiki (Iruma Hiki Kaihatsu Kyogikai) [Mr. Yamaguchi's regional organization] paid Y500 million to the New Politics Research Association (Shin Seiji Chosakai) which is a factional organization, but this was merely funds passed on from what they had received from the LDP, and the money they really contributed was Y30 million from the Ryushikai. Following the amounts for former head of the party's Policy Affairs Research Council, Watanabe, and former Prime Minister Nakasone, this amount was the largest in that same faction. After the election Mr. Yamaguchi became faction secretary general and it seems we can say that his influence also grew within the reshuffled Watanabe faction as recognition of his contribution to this faction.

But, when one looks at his sources of revenues, they depend heavily on "special revenues," Y40 million borrowed from banks, and Y148.5 million from receipts from his December party, and his financial basis is weak compared to Mr. Hashimoto's.

Secretary General Ozawa's "Great Talent" Isn't Money?

On the other hand, the two persons with the very smallest amounts are party Secretary General Ozawa and Executive Council Chairman Nishioka. Compared to other NNL members who improved their receipts from the year before last, they are weak in both organization and fund-gathering ability. They do not give collected funds to dietmen of their lines or to the factions but allocate them only for events which promote fellowship and for party tickets as much as possible. The use of funds takes on a "selfish arrangement," mainly paying for their regional support associations and for the maintenance expenses of their Tokyo offices. It is a structure of finances that contrasts with that of previous leaders of the political world of Nagatacho who took political initiatives using money as a lever, and it seems we can say that their ability to speak out comes not from their own political funds but from their ability to manage the party from within.

When you look at the political funds of the other NNL members, you see within the Miyazawa faction, former head of the Science and Technology Agency, Kono and former head of the Defense Agency Kato, both regarded as post-Miyazawa leaders, vying with each other on the funds front. They gave Y5 million and Y20 million respectively to the faction's Kochikai, and held up one wing of the party's breadbasket. Furthermore, Mr. Kato dispensed on average Y1 million to each of 12 dietmembers from the faction, a total of Y12.3 million, and as secretary general of the faction he willingly watches out for the younger members. Mr. Kono merely gave funds to Tsuneo Suzuki, a lower house dietmember from his own region, Kanagawa.

In the Abe faction Mr. Shiokawa, former chief cabinet secretary; Mr. Mitsuzuka, former head of the LDP Policy Research Council; Mr. Kato, head of the Policy Research Council; and Mr. Mori, former minister of education, called collectively the "four kings," gave virtually no funds to the faction but passed them directly to a number of faction dietmembers, and they assiduously worked to preserve their standing within the faction. Especially Mr. Shiokawa, who began by obtaining funds by borrowing Y50 million and giving Y 1 million each to prop up two candidates, Yasumasa Kakuma and Kimitomo Takahira, who were said to be in some danger in the election for the upper house. He also was conspicuous in briskly socializing and parceling out congratulatory presents of from Y.3 million to Y.5 million at the welcoming party for new members of the faction.

The Takeshita faction's former Chief Cabinet Secretary Obuchi, Minister of Justice Kajiyama, former chairman of the LDP Diet Policy Committee Watanabe, and former Minister of Agriculture, Forestry and Fisheries, Hata, are not contributing large amounts to other dietmembers.

Money-gathering Ability of LDP Neo-New Leaders

Name (Faction)	Number of Organizations	This Year's Receipts (10,000 yen)	Growth rate %	Contributions to the Faction
1 Ryutaro Hashimoto (Takeshita)	8	53,863	24.4	3,000
2 Toshio Yamaguchi (old Nakasone)	11	52,469	4.5	53,000
3 Yoshiro Mori (Abe)	5	44,827	-1.0	0
4 Mutsuki Kato (Abe)	6	31,110	-17.9	0
5 Keizo Obuchi (Takeshita)	4	23,334	25.6	600
6 Yohei Kono (Miyazawa)	5	21,343	-29.5	500
7 Koichi Kato (Miyazawa)	3	19,072	12.5	2,000
8 Seiroku Kajiyama (Takeshita)	6	17,691	16.9	3,000
9 Kozo Watanabe (Takeshita)	3	16,213	14.5	0

Money-gathering Ability of LDP Neo-New Leaders (Continued)

Name (Faction)	Number of Organizations	This Year's Receipts (10,000 yen)	Growth rate %	Contributions to the Faction
10 Tsutomu Hata (Takeshita)	4	16,121	-16.7	3,000
11 Hiroshi Mitsuzuka (Abe)	6	14,350	-32.5	0
12 Masajuro Shiokawa (Abe)	1	13,525	83.4	0
13 Ichiro Ozawa (Takeshita)	2	6,962	23.9	0
14 Takeo Nishioka (Miyazawa)	4	4,129	33	0

We have pursued the flow of LDP political funds in four installments. What has become clear in that process is that the sources of the supply of funds are shifting from the factions where they have been mainly centered in the past, to the party, where the emphasis is the present. Certainly due to the effects of the Recruit scandal of last year, there was the special situation where it was painful to openly gather funds. But, as Yoshiro Mori says "the flow of political funds last year was a phenomenon of the period of excess that reached the core of the party," and many of the party's leaders take the view that the trend toward "raising the party and diminishing the factions" will continue. The decisive factor in solidifying the trend is likely to be election reform. It goes without saying that the largest significance to the existence of the factions is the electoral district system in force at present. Because multiple LDP candidates have to fight it out within the same election district, factions appear out of necessity. However, if we move to a system of small electoral districts and proportional representation, even more than the factions, the authority to decide which candidate runs for office in which district will move to the party's executive department. If that happens, then increasingly the coloration of party-administered elections will deepen and we can probably say that the system we have had whereby a politician's funds go in and out centering around the factions will have reached a big turning point.

* Political Fund-Raising Sources Reported

912B0026A Tokyo SEIKAI ORAI in Japanese Nov 90 pp 11-19—FOR OFFICIAL USE ONLY

[Article by political commentator Hidenori Itagaki: "The Public Image and Inner Workings of Political Groups Which Collected Y173.3 billion—'From the FY 89 Report on Political Financing'" (Part 3 of Short-Term Intensive Series: "Politics and Money")]

[Text] The revenue of political organizations differs greatly depending on their operating skill. I bring into sharp focus monetary contributions by industry circles and individuals from reports on income and expenditure of political funds, and close in on the actual conditions of fund-raising by all sorts of political organizations which control politicians' finances.

Can Procurement of Political Funds Be Covered by Political Organizations?

Political organizations are trees which bear money. Moreover, they appear to gather actively where there are vested rights and political power. Of course, the content of the lists of contributions differ greatly depending on the political organization. However, if only one has suitable justification, funds can be collected easily. In Japan, a society which is divided vertically into spheres of influence, if one is connected tightly to industry circles, which have a structure of separated niches, money collects in a delightful manner. Even if we take the support organizations for individual politicians, they appear to be able to attract money easily if they create their own devices. Furthermore, it is given preferential treatment such as being tax free, so it is irresistible to politicians. It is something very difficult to comprehend by common people who earn money by the sweat of their brows and then have tax torn from it, but in the world of politics it actually occurs, and has become a matter of common sense.

It is a customary thing, but just by glancing in a cursory manner over the Report on Income and Expenditure of Political Funds for FY89 which was reported to the Ministry of Home Affairs, I am impressed that so much money is collected. Each time that happens, I end up wondering just what political organizations are.

Political organizations are not carrying on the productive activity of obtaining revenue by supplying goods and services. Why are they able to collect such a vast amount of money in spite of this? To begin with, that, itself, is strange.

Of course there are also examples like that of the Japan Communist Party [JCP], which sells the party newspaper, AKAHATA, and the revenue of that business comprises the major poation of its political funds. The JCP is splendid precisely because of that. It is great because it makes money by means of the legitimate occupation of making money by selling newspapers in the same manner as an ordinary newspaper company. At Y29.8847 billion, in FY89, too, it was the highest amount among political organizations. Even looking at the records since 1976, the JCP was always at the top.

What does this mean? I shall speak without pulling punches. It means that if political organizations, not to mention political parties, are of a mind to do so, and carry on organized activity, increase the number of comrades and members, and go on doing such business as publishing newspapers and magazines and selling them, and hosting lecture meetings and seminars, income can be obtained properly by means of legitimate occupations.

If the illustrious members of the Election System Council have the time to engage in flowery debate, saying something like "we should abandon enterprise contributions and make it individual contributions in principle," or "we should make it a single political funding organization for one politician," does not advising political organizations "how about making efforts to earn more money by legitimate occupations" come before that? Even the JCP is making revenue fairly in a capitalist society, so the LDP [Liberal Democratic Party] and other parties should be able to imitate it. In short, they are being lazy.

Of course such parties as the LDP also have business income. But it is not a significant amount. Therefore, the objection that "something like the JCP is an exception" goes unchallenged. In place of that, virtually all political parties, regardless of whether it be the LDP, the JSP [Japan Socialist Party], the Komeito or the Japan Democratic Socialist Party [JDSP], have ended up becoming accustomed to receiving money, in principle, freely and without giving compensation.

They do not earn by the sweat of their brow; they receive money for nothing, so they are similar to beggars. If there is a point in which they differ from beggars, it is that by adorning themselves with good causes and receiving money grandly, political organizations make a distinction between themselves and beggars, who, saying "masters to the right and left," receive money by depending completely on charity.

Even so, if one allows the politicians, who are going around to receive political funds, to speak, they seem to be dogged by somewhat of a guilty conscience, saying "it is something like being a beggar," (a leading Diet representative with experience as prime minister). It appears that with that, too, when practice becomes nature, one becomes brazen, and the life of a beggar, in which one can receive money just by asking for it, gradually becomes fun.

But today, when political reform is being called for, how about turning our eyes once more to the business that political organizations can conduct, and investigating a path by which they can be self-supporting. In such a case, I would urge them not to engage in the kind of greedy business in which one puts the exorbitant price of Y2,000 or Y3,000 on a scanty, inferior party organ which is only published once a month, but to publish something which, like AKAHATA, has as much space as a general newspaper, and also has good content. If they also put effort into expansion and sales, and conduct advertising operations in such a way that advertising income also increases, political organizations will probably reach the point of being undistinguishable from newspaper companies.

Yoshiro Mori's Spring Breeze Association Has About as Much Fund-Raising Ability as Industry Political Organizations

What impressed me in regard to this point was the "*Shunpukai* [Spring Breeze Association]" (representative: (Yasushi) Oshima; 2-Nagatacho, Tokyo), a political organization of former Education Minister Yoshiro Mori of the LDP. While leafing through the Report on Income and Expenditure of Political Funds for FY89, my eye fell upon the entry "Magazine: SHUNPU, advertising fees for organ" among the items of income. The amount was "Y55.65 million. Beneath it, "Y9,000" was stated as the "subscription fee." Comparing the advertising fees and subscription fee, I was puzzled by the size of the difference, I was able to realize immediately that, in short, "the *Shunpukai* is distributing it free, so they do not make money on subscription fees, but are making money by advertising income." Come to think of it, I, myself, had had organs sent to me a number of times, and did not remember having paid a subscription fee, so I could understand.

What surprised me still more, was the 1989 income of the *Shunpukai*. It is "Y243.3 million," and is located 39th from the top in the ranking of incomes of all political organizations. The next, the National Petroleum Political League, which is 40th, is Y242.41 million, so one can probably understand how large an amount it is. The National Petroleum Political League is the political organization that represents the interests of petroleum industry circles. I could not help being surprised by the fact that the *Shunpukai*, the political organization of an individual politician, collected an equal amount of political funds. When it came to having earned by advertising income of the association organ an amount exceeding approximately one-fifth of the total, I was surprised a second time.

And something that surprised me a third time was stated there. It was that "Y16.26 million" was gained as the income from the "15 October Gathering to Commemorate Yoshiro Mori's 20th Anniversary as a Member of the Lower House." Below it was added the notation "Y3,000 X 5; 420 people."

That year, the Recruit scandal led to self-restraint being practiced in regard to "parties" which encourage politicians, commemorate publication and so on. Former Minister for Education Mori, too, had a close relationship with previous Recruit chairman (Hiromasa) Ezoe, and admitted having received the transfer of Recruit stock which had not yet been offered to the public. Because of that, he was in the position of being obliged to be on his best behavior. Nevertheless, he carried out the "Gathering to Commemorate the 20th Anniversary" in a grand manner. I did not hear anything about it being held in Tokyo, so he probably held it in his Ishikawa Prefecture election district. Speaking of which, reminded me that K, the editor of a magazine dealing with government and bureaucracy, who is also an acquaintance of mine, was saying "Mr. Mori is going to publish a book to commemorate the magazine's publication, so I am going to Ishikawa Prefecture to gather material." After that, K was saying" it got hung up on the Recruit scandal, so it became impossible to hold the publication commemoration party in Tokyo, but he probably held it in the local district so as not to be conspicuous, and distributed the book.

In addition, it is mentioned that the *Shunpukai* made money by sponsoring softball matches and by gatherings at hotels and the like.

The attitude of former Minister for Education Mori, who managed to have the party though he was involved in the Recruit scandal and was in a position where he should be on his best behavior, should be criticized, but reading the content of these reports I was impressed, thinking "Mr. Mori, too, is doing quite well." Here is an example of political organizations being able to earn a certain amount of revenue if they become so inclined and apply themselves to business.

In passing I peeked at the names of individual contributors and the amounts, half in curiosity as to from what in the world kind of people former Minister for Education Mori is receiving individual contributions.

For example, "(Eishun) Sugio" (company executive; Fukazawa, Setagaya-ku, Tokyo), contributed "Y20,000" 12 times for a total of Y240,000; "Akira Ogawa" (company executive; Aoyama, Minato-ku, Tokyo) contributed "Y300,000" 3 times for a total of Y900,000; "Yonezo Sakai" (company executive; Daikyo-cho, Shinjuku-ku, Tokyo) contributed "Y120,000"; and "Tomokazu Mishima" (company executive; Nakaizumi, Komae City) contributed "Y1 million" (28 November).

I opened my eyes in astonishment at the fact that there are in this world people with the financial power to generously contribute Y1 million to politicians they support. Thinking that former Minister for Education Mori's political group collects enough money to exceed Y200 million in 1 year precisely because he has a large number of such generous supporters, I was made to recognize afresh the significance of the existence of supporters.

But I feel as though the individual contributors and amounts of money reported here are strictly the tip of the iceberg. I cannot at all understand saying that individual contributions were just this much while collecting in advance political funds in units of Y100 million. When it comes to company contributions and the contributions of political organizations, although the total amount is given, exactly from where it was received and about how much was received is not rported at all, so it is altogether unclear. It is shrouded in darkness.

Former Minister for Education Mori served as the deputy chief cabinet secretary of the Fukuda cabinet, and in the LDP is counted as one of the boss-type politicians of the education group Diet members, so it is not strange for him to have contributions from education-related companies and groups. Or, it is proper to have contributions from various types of industry circles in Ishikawa Prefecture. His father, a prominent man of the locality, was also executive of a survivors association, so we can also assume contributions from such groups. None of these have been made clear in this report of income and expenditure of the *Shunpukai*.

Seeing the Degree of Union of Politicians and Industrial Circles From the Reports of Hiroshi Mitsuzuka and Shizuka Kamei

While I was looking at the reports of income and expenditure with this in mind, a political organization that described the ties with industry circles in a somewhat honest manner caught my eye.

It is the *"Hakuyukai"* (representative: Tsutomu Shibutani; 13-1, 2 Hirakawacho, Chiyoda-ku, Tokyo), a political organization of former Minister for Transport Hiroshi Mitsuzuka, who belongs to the same Abe faction as former Minister for Education Mori; its income for 1989 is Y94.68 million. The "Japan Dentists Political League" (Kazuo Yamazaki; Kudan kita, Chiyoda-ku, Tokyo) contributed "Y2 million" (24 August); the "Japan Pharmaceutical Industry Political League" (Yasuo Kamei; Nihonbashi 2, Chuo-ku, Tokyo) contributed "Y7 million" (12 December); the "Road Transport Management Study Group" (Eisaku Nishijima; Hirakawa-cho 2, Chiyoda-ku, Tokyo) contributed "Y2 million" (25 December) and so on.

The Japan Dentist Political League, the Japan Pharmaceutical Industry Political League and so on provide political funds to some extent without exception to LDP politicians. Therefore, political funds are also distributed to politicians like former Minister for Transport Mitsuzuka, who by rights is not a Diet member of the health and welfare group. In his case the fact that he is serving as chairman of the LDP's Policy Research Council, and is also an executive of the Abe faction appears to be highly valued.

The "Road Transport Management Study Group" properly evaluates his career of having served as minister for transport.

But as to the approximate amount of political funds which the political organizations of various industries are providing to each politician, one can calculate to a more detailed point by looking at it from the side of the political organizations of each industry than from politicians' political organizations. Because the political organizations of industry groups compile records of income and expenditure in a fairly serious manner. Therefore, if one analyzes everything about the political organizations of industry groups, it is also possible to calculate the ties between politicians and business circles, and the "degree of unity" to a considerable degree. No matter how much politicians' political organizations try to hide it, it is not something that can be hidden.

Incidentally, let us pick up from where, beside this, former Minister for Transport Mitsuzuka is obtaining political funds.

For individuals, "Genjiro Suzuki" (company executive; Kurihara-gun, Miyagi Prefecture) contributed "Y120,000" (6 December), and "Yojiro Furukawa" (company executive; Fuchu-machi, Itade-shi, Kagawa Prefecture) contributed "Y120,000" twice, making a total of "Y240,000" (1 September; 16 December).

For political organizations, the "Party Politics Research Association" (Akinori Aoki; 2 Hirakawacho, Chiyoda-ku, Tokyo) contributed "Y4 million" (31 May), the "Hokkaido Hakuyukai" (Yasuji Ohashi; Kita Gojo Nishi, Chuo-ku, Sapporo) contributed "Y3 million," the "Modern

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Urban Policy Research Association" (Shuichi Motoki; 2 Otemachi, Chiyoda-ku, Tokyo) contributed "Y5 million," the "Osaka Hakuyukai" (Kunihiko Masunichi; Toyohashi, Kita-ku, Osaka) contributed "Y6 million" and the "Yokokai" (Sakutaro Fujitani; 1 Akasaka, Minato-ku, Tokyo) contributed "Y2 million."

Among these it is not very clear what kind of activities the political organizations called the "Modern Urban Policy Research Association" or the *"Yokokai"* or some such are carrying on, so they are bound to end up appearing shady. If they were companies, I could grasp the content of their activities based on such material as a company directory and a company history, and could also depict a company image, but when it comes to political organizations such materials do not exist, so it cannot be helped if I am mystified. In the case of former Minister for Transport Mitsuzuka, it is also reported in newspapers that he sometimes does things like accept funds with a shady origin. Previously, there was also an incident in which it came out that he had used the organization of the Japan National Railways, a reorganized company, to get people to buy party tickets, so he was made the target of criticism. All the more so because of that, the mass media also always took a great interest in his political organizations, but to the extent that I look at the FY89 Report on Income and Expenditure, I have not gotten a glimpse of that kind of underhandedness. That can be said to be natural; surely it is impossible that the political organization of former Minister for Transport Mitsuzuka, a veteran politician, would reveal its true colors in this kind of thing.

When I pursued the income and expenditure reports of political organizations I was able to learn anew the real ability of various politicians in collecting funds.

Among them, the one that I felt I had discovered newly was lower house member Shizuka Kamei. The "Shizuka Kamei Support Association" collected "Y359.55 million" in 1 year. It is ranked 29th from the top among all political organizations.

It is well known in political circles that he is a former police bureaucrat, and is using Asahi Chemical Industry Co., Ltd. as his source of political funds. If you will call to mind Asahi Chemical Chairman Kagayaki Miyazaki, who puts in an appearance without fail at parties to encourage Kamei, and always speaks at great length and is frowned on by those attending, you will be able to understand immediately.

But at the time of the Recruit scandal, lower house member Kamei directed sharp criticism toward then Secretary General Shintaro Abe and his associates, and maneuvered in an attempt to have former Prime Minister Fukuda as the new prime minister replacing Prime Minister Takeshita. This aroused the ire of Secretary General Abe, so Kamei was expelled from the Abe faction. Because of this, it became impossible to receive political funds from the faction, and his secretary, Kunihiko Watanabe was saying "He is poor. No political funds at all are being collected." When I look at the manner in which he is collecting political funds, I am forced to suspect that this sorrowful expression was for outward appearances, and that in reality his expression was complacent.

Lower house member Kamei, too, sometimes becomes the subject of suspicious talk, so, as might be expected, he also appears in a series of press reports on an incident of manipulation of the stock of Kokusai Kogyo Co., Ltd. What is the secret of his having been able to develop into a politician who is able to collect so much in political funds, although having come from the National Police Agency, which is, by nature, not a government agency with vested interests? As I looked at this monetary amount, I felt more and more that I wanted to find out what was going on behind the scenes.

The Political Fund Strength of the New Leaders Who Aim at Being Prime Minister After Kaifu

Well then, at this point let us make our theme the acquisition of the reins of government, and check by narrowing the target down to the political funds of major politicians who are watching for a chance at the position of prime minister and party president, and politicians who have the temperament to be able to become the new leaders of the next era.

What about Secretary General Shintaro Abe, whom everyone believed without question to be closest to the position of prime minister and party president after Kaifu?

One of his political organizations, the *"Shintarokai,"* reports an income of "Y732.72 million." It is 18th from the top. It is the highest for the political organization of an individual politician.

The political organizations of individuals also raise a lot of political funds, but the *"Seiwakai,"* which is the political organization of a faction, collected "Y1.14253 billion." It is perfect as a campaign fund, and increases the faction's ability to aquire the reins of government if this much strength in fundraising and power to collect funds is demonstrated. Because even if the faction sets up the kind of dirty election that we have had up to now, and, buys it, should the necessity arise, by scattering money around, if it takes place inside the LDP, which is a private party, it constitutes neither an election violation nor official corruption. As for the rest, it was to be expected that something or other would be worked out if Abe showed to the nation political accomplishments that could clear him of the stigma that he had received in the Recruit scandal.

But in spite of Abe having spread a network of support groups throughout the country, and in spite of it having even begun to be thought that no politician surpassed him in collecting political funds, unfortunately former Secretary General Abe ended up being struck by illness. As a result he is considered to "already have lost his chance to take the reins of government." While collecting this much in political funds, and being in a position in which with one more step he would be able to reach political power, he is now an unfortunate person. He gave up his trip to the Soviet Union which was to have begun on 22 September, and in the end he had to accept the condition of his own health.

I suspect that former Deputy Prime Minister Kiichi Miyazawa, who is former Secretary General Abe's greatest rival breathed a private sigh of relief. Nothing is as enjoyable as having a strong enemy be kind enough to disappear. Although he suffered a serious wound in the Recruit scandal in the same way as former Secretary General Abe, if Miyazawa places his hopes on the forgetful characteristic of the Japanese, and aims at a chance to attempt a comeback, he can open up a path toward the prime ministership.

What is more important than anything else is money at a critical time. The *"Bigokai"* collected "Y561.71 million" (21st place) and the faction political organization, the *"Hiroikekai,"* collected "Y574.35 million." If he goes up against former Secretary General Abe with this power, an evenly matched battle will be possible. There is no doubt that former deputy Prime Minister Miyazawa has considered this.

However, former Policy Research Council Chairman Michio Watanabe has suddenly begun to surface because of former Secretary General Abe's downfall. Up till now Policy Research Council Chairman Watanabe has conducted a strategy of "promoting former Secretary General Abe, and receiving the post of prime minister from him after he steps down." He had gone along with the strategy of former Minister for Labor Toshio Yamaguchi, who is the general secretary of the faction, but this time he distanced himself in one leap. This is because the possibility emerged of a one-on-one battle with former deputy Prime Minister Miyazawa.

If this happens, political funds will begin to weigh on his mind. The "Association To Support Michio Watanabe" reports "Y146.12 million." It is an amount that compares very unfavorably with the political funds of former Secretary General Abe and former deputy Prime Minister Miyazawa. Of course, former Policy Research Council Chairman Watanabe has for some time been gradually nurturing the *"Onchikai,"* his own nationwide organization so that when the time comes that it is needed, he can also depend on political funds from there. But the "Institute for Policy Science," raised "Y51.50 million," and normally, such a small amount would not play any role. It is probable that the effect of not having been able to hold parties has had considerable impact. At present, conditions are not such that one can hold parties openly. If such is the case, what will former Policy Research Council Chairman Watanabe do about funds for the prime minister-party president election?

To be sure, it is not absolutly certain that the prime minister-party president election will cost money, and it is probably also possible to get by without spending money on it. It will be a windfall if it can be settled by negotiation. Even so, as might be expected, such things as Diet members holding secret meetings here and there, and having interchange with members of other factions, requires money. As long as Watanabe wishes to attain the position of prime minister and party president, the securing of funds is a precondition. How he will go about collecting funds from now on is a matter which is attracting attention.

The Succession to the Kanemaru Interests, and the Battle Between Ozawa and Hashimoto To Inherit the Sources of Political Funds

Next, based on their strength in political funds, I shall divine the future of the leaders who will shoulder the responsibility for the new age.

It is known without my saying, that the hopes of the next era are Secretary General Ichiro Ozawa and Minister for Finance Ryutaro Hashimoto. Both are princes of the Takeshita faction.

The sole minister-for-home-affairs designated political-funding organization of Secretary General Ozawa is the *"Rikusankai"* (representative: Tetsuo Sato; 1 Hirakawacho, Chiyoda-ku, Tokyo.) It reports "Y67.62 million."

Individual contributors were such that the fact that "Fusako Bunkyo" (company president; 5 Higashi Koiwa, Edogawa-ku, Tokyo) contributed "Y1.5 million" (11 December) caught my eye; aside from that, there is no mention of company contributions or contributions from political organizations.

For a political funding organization of Secretary General Ozawa, who has been minister for home affairs, it is a way of describing things that appears to leave a good deal out. It is a feeling that it might have been all right even if he had shown us the self-respect of a person who has been minister for home affairs, by writing in a bit more detail? It comes down to one word: "tacky."

Minister for Finance Hashimoto, who is Secretary General Ozawa's rival, has three political funding organizations designated by the minister for home affairs: the "Study Group on New Political Problems" (representative: Toyohata Kobayashi; 1 Nakamura, Nerima-ku, Tokyo), the "Study Group on Welfare and the Economy" and the *"Soryukai."*

The "Study Group on New Political Problems" reports "Y178.33 million." The major individual contributors are as follows:

"Ichizo Kono" (company manager: 3 Motocho, Chuo-ku, Tokyo) contributed "Y500,000" (21 June); "Kazuo Shizume" (doctor: 3 Yoyogi, Shibuya-ku, Tokyo) contributed "Y1 million" (12 July); "Tetsuo Nakano" (company executive: 2 Takada, Toshima-ku, Tokyo) contributed "Y500,000" (31 August); "Seiichiro Kawada" (company executive: Kayomachi-kita, Kamifusa-gun, Okayama Prefecture) contributed "Y1 million" (29 September); and "Hiromi Enoki" (company executive: 4 Motocho, Bunkyo-ku, Tokyo) contributed "Y360,000" (12 July).

In political organizations, the "Okinawa *Shoryukai*" (representative: Yoshinori Niigaki, 2 Kume, Naha) contributed "Y5 million" (17 January); the "Hokkaido *Shoryukai*" (representative: Yoshiro Ito, 3 Shijonishi, Chuo-ku, Sapporo), "Y12 million"; the "Study Group on New Urban Policy" (representative: (Yasuhiro) Asakawa, 1 Nakamura, Nerima-ku, Tokyo) "Y3 million (27 December) and the "Ozora Club" (representative: Hiroshi Shimuizu, 5 Harigaoka, Nerima-ku, Tokyo), "Y3 million." In addition, the "Study Group on Welfare and the Economy" (representative: Mitsuo Okura, 1 Kami Ozaki, Shinagawa-ku, Tokyo) recorded income of "Y126.69 million" and the *"Soryukai"* (representative: Shoichi Asaji, 1 Minami Aoyama, Minato-ku, Tokyo) reported income of "Y17.75 million."

Finance Minister Hashimoto was formerly minister for health and welfare, and is famous as a big boss of the welfare-group Diet members. The fact that he is receiving political funds from any number of individual doctors testifies to this.

When I compare him with Secretary General Ozawa, I am impressed that Finance Minister Hashimoto possesses an almost awesome power to collect money. But one cannot ignore the point that the success of Secretary General Ozawa as "prime minister in the near future" is being guaranteed by former Deputy Prime Minister Shin Kanemaru. That is also because it means succession to Kanemaru's interests, and inheritance of sources of political funds.

The "Study Group on New National Development" (representative: Masahisa Ikuhara, 5 Akasaka, Minato-ku, Tokyo), a political funding organization of former Deputy Prime Minister Kanemaru, is collecting "Y121.23 million." Even though at present he does not have as much power as Finance Minister Hashimoto to collect funds, it will not do to overlook his latent power as the heir to Kanemaru's interests.

The Financial Power of the Neo-New-Leaders of the Abe, Miyazawa and Watanabe Factions

Incidentally, concerning politicians who will shoulder the responsibility for the next generation, it is also necessary to direct one's eyes to factions other than the Takeshita faction.

It has begun to be rumored that the Abe faction "might break up" soon. It is being conjectured that in the Abe faction the politicians referred to as the so-called "four Heavenly Kings": former Minister for Education Yoshiro Mori, former Minister for Transport Hiroshi Mitsuzuka, former Minister for Agriculture Mutsuki Kato and former Minister for Education Masajuro Shiokawa, will probably end up by breaking up and scattering. In addition to that, the name of Foreign Minister Taro Yamanaka has begun to surface as a dark horse for prime minister after Kaifu.

Needless to say, whether he can inherit the faction, whether or not he has that temperament and ability, is not something that can be judged solely by the single feature of ability to collect money. Even so, just as there is the saying "where money ends relationships end," it is also a historical fact that many politicians gather where there is money. You will probably be able to understand it well if you call to mind the example of former prime minister Kakuei Tanaka.

Of the Abe faction politicians' ability to collect money, I have already touched upon former Minister for Education Mori and former Minister for Transport Mitsuzuka, so I shall turn to that of former Minister for Transport Mutsuki Kato.

The "Social Gathering for Comprehensive Politics and Economics" (representative: Hajime Onishi, 2 Mitacho, Chiyoda-ku, Tokyo) collected "Y72.85 million." Of this, "Y7.5 million" was the income of the organ KORON; the names of individual contributors are given in the report on income and expenditure. Details of the amounts contributed by companies and political organizations are not given.

Former Transport Minister Shiokawa's political funding organization, the *"Enshinkai"* (representative: Koichi Takashima, 1 Minami (Senzoku), Daita-ku, Tokyo), had income of "Y135.25 million." But of this, "Y50 million" was a loan from the Dai-Ichi Kangyo Bank, Ltd. (Uchisaiwaicho, Chiyoda-ku, Tokyo). It appears that there is also a considerable amount of individual contributions, but his financial situation actually appears to have been in reduced circumstances. At that time there were expenses for things in advance of the February 1990 general election, so I can imagine his appearance when he rushed into the bank in great distress, needing money.

As to Foreign Minister Nakayama, who is becoming the subject of conversation at present, the "Social Gathering for International Economy" (representative: Michio Torii, 2 Nagatacho, Chiyoda-ku, Tokyo) had income of "Y191.22 million." Of this, "Y44.5 million" was a loan from the Daiwa Bank, Ltd. As one might expect of someone who was formerly a pediatrician, he received contributions of Y5 million from the Japan Physicians League twice for a total of Y10 million, and so on. It appears that many of his sources of income are well heeled, but it can be perceived that he, too, is having difficulty in raising money.

It must be judged that he is now in the prominent position of minister for foreign affairs, so expenses also mount up considerably. Such being the case, in the event that the situation after Kaifu proceeds according to rumor, Nakayama will be driven to collect more and more money. Since from the beginning he has not desired to lead a faction, his path to the prime ministership will be treacherous unless he inherits the Abe faction and former Secretary General Abe's sources of political funds.

When former Secretary General Abe truly cannot go on, former Education Minister Mori will be the most prominent as a candidate to inherit the faction. Because in addition to his skill in raising political funds, there is a strong possibility that he will gain the support of former Prime Minister Takeo Fukuda. Formerly, he and former Transport Minister Shiokawa served former Prime Minister Fukuda like a Showa period version of the story of

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NOTICE TO READERS: An * indicates material not disseminated in electronic form.

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Malaysian Trade Bloc Proposal Assessed

BK1501030191 Bangkok BANGKOK POST in English 15 Jan 91 p 4

[By Suphaphon Kanwirayothin, Ratchaphon Laowanit]

[Text] Against the backdrop of floundering international trade talks last December and fears of a surge in Western protectionism, Malaysia has floated a trial balloon calling for East Asian nations to stick closer together in a new regional economic cooperation pact.

The proposal, which Malaysia's Minister for International Trade and Industry Rafidah Aziz will explain in detail to the Thai Government during her visit here this week, has since its announcement on December 6 last year generated responses ranging from scepticism, caution or polite rejection in diplomatic parlance.

During the first week of December world trade ministers, including Ms Rafidah, could not agree on a package deal to overhaul international commerce system at the GATT talks in Brussels.

Back in Kuala Lumpur, Prime Minister Mahathir Mohamed announced on December 10 that Malaysia expected the talks, known as the Uruguay Round, to fail and will take the lead in forming an East Asian trading pact if necessary.

Under the original idea, the pact would start from the six ASEAN states and, under the leadership of Japan, involve Korea, China, Hong Kong and Taiwan. It would eventually include Vietnam, Laos and Burma.

Malaysia envisioned a new alliance that would assure members of "countervailing power and bargaining position" in facing international trade issues.

To achieve balance in economic development "Asia-Pacific countries should strengthen further their economic ties to form a bloc," Prime Minister Mahathir was quoted as saying.

Diplomatic sources say there could be a number of reasons that prompted Malaysia to propose this new initiative.

According to sources close to the GATT conference in Brussels, Ms Rafidah was "angered" by the fact that "nobody listened to Malaysia," and that the 107-nation GATT featured a dispute between "giants" like the US and the European Community, with smaller nations shoved aside from the outcome of an agreement that would determine their economic future.

In the meantime, Malaysia is facing grave pressures from its own bilateral relationships, such as several Section 301 retaliatory measures from the US, and the barriers both the US and EC raised for its major commodity—palm oil.

Malaysia is also reportedly far from satisfied with Australia's leadership both in APEC (Asia Pacific Economic Cooperation) and the Cairns Group of 14 farm exporting nations that include Thailand, Malaysia and Australia. The proposal appears to have come into being from that point.

Trade officials and analysts interviewed by the BANGKOK POST agree that any move in the direction of a new regional grouping—as an economic cooperation front is fine but a trading bloc is absolutely out of question—would be premature given the state of play at the Uruguay Round of the 107-nation General Agreement on Tariffs and Trade.

At first glance, the dismal scenario at the GATT meeting may warrant such a move.

Yet the regional setting and practical considerations around here gave the Malaysian initiative a status of impertinence.

Most importantly, some trade experts, while closely monitoring the result of Ms Rafidah's ASEAN tour, said the Malaysian proposal appears to be lacking an intellectual basis, and Malaysia still could not figure out the specifics of its move.

Some political officials saw the proposal as a far cry from a realistic pursuit for which Malaysia can successfully seek support. They deemed it more as an exercise timed to heighten the leverage of Malaysia in GATT and to please China, whose Premier Li Peng was the first regional leader with whom Dr Mahathir Mohamed has discussed the proposal during his visit to Kuala Lumpur only a few days after it was announced.

"Malaysia itself seemed a bit confused over the idea of a "trading bloc,' which means an inward-looking group that erects fences to bar outsiders. If that's what Malaysia has in mind, no-one is going to support it," said one trade expert.

To start with, observers queried whether the region is in dire need of a new channel for cooperation, granted the existence of ASEAN and APEC.

Intra-ASEAN cooperation still lagged inexorably behind the set objectives, Thai officials said, noting that ASEAN had also got what it wanted—to be the core of APEC, the fledgling effort that groups ASEAN together with the US, Canada, Japan, Australia, New Zealand and Korea, which is to host the APEC's third ministerial talks later this year.

Cambodia has considerably absorbed the resources of ASEAN and become a prime reason for ASEAN unity over the past decade. Given the diversity of economic development and the similarity of dependence on the US as a major market for their products, economic cooperation has long been an area of disunity and conflict of interests for the ASEAN members.

The ASEAN foreign ministers' annual meeting among themselves and with dialogue partners such as the US, Canada, Japan, Australia and New Zealand, is more of an exercise of political rhetoric. Over the past two years the ministers have expressed their wishes to have the Cambodian problem settled so that ASEAN can go ahead with its economic agenda.

Japan, whose prominent role Malaysia is seeking, has no official reaction because Tokyo is yet to hear full details of the idea.

"Prime Minister Toshiki Kaifu is seeking to hear first-hand the real intention and content of the proposal when he meets Dr Mahathir. But now that Premier Kaifu's ASEAN tour is cancelled, we miss that good opportunity, "we miss that good opportunity," said an official at the Japanese Embassy in Bangkok. [sentence as published]

Asked to comment on APEC, the official said the APEC process is being "gradually put on certain tracks and everybody knows what we are going to do."

Cautioning that his view could be hypothetical due to a lack of concrete information about the proposal, the official said Japan wants to know whether the newly proposed pact would offer any functions that differ from the ASEAN-dialogue partner relationship and APEC.

Meanwhile, an official at the Australian Embassy said he was "a little bit surprised" by the timing of the Malaysian move.

"We, like many others, feel the more important thing is that now the Round was given a sort of cooling period, and perhaps some scope for negotiations is in sight, and that might get us a reasonable outcome of the Round. We hope the region would also see this as priority," he said.

Besides naming the European Single Market development and the US-Canada Free Trade Agreement as evidence of others' search for bilateral cooperation, Prime Minister Mahathir also placed the Australia-New Zealand Closer Economic Cooperation Agreement in the same rank.

Malaysia's proposed pact would exclude the US, Canada, Australia and New Zealand.

The Australian official explained that the bilateral agreement with New Zealand, in force since 1983, did not pose market restrictions for other exporters.

The move by Malaysia is not likely to endanger APEC because APEC is, according to the official, "a broad-based exercise built from years of studies and the potential is there for members's to explore greater economic cooperation."

On the other hand, the Malaysian proposal needs more substance and a better definition, other analysts agree.

They note that ASEAN would naturally seek to lead any regional grouping, as is the case with APEC where ASEAN fears of being "diluted" in a larger grouping was allayed with an assurance that it will be the axis of APEC.

In the new grouping, however, Malaysia wants Japan to take the lead. What role would ASEAN play then?

The line-up that Malaysia has in mind displays a motley of countries with diverse levels of development and sizes of economy.

"Japan would naturally be more interested in APEC because it also groups the US. The new pact led by Japan may succeed in counter-balancing the EC but what about the US, which is a major market for both Japan and the region?" said one analyst.

Another veteran trade analyst sees the strengthening of intra- ASEAN cooperation as the most feasible and worthwhile exercise, granted the subtle wariness that still persists in APEC.

The strengthening of intra-ASEAN cooperation is expected to figure prominently at the ASEAN summit meeting later this year in Singapore.

Then APEC comes as the second best choice, yet it is now fraught with mutual mistrust and disillusionment among the three subcliques, namely the US and Canada; Australia and New Zealand; and ASEAN.

Wait for the outcome of the Uruguay Round that is yet to conclude, get the plans for intra-ASEAN cooperation seriously off the ground first and then let's see what we can do later. This will be the bottom-line of the Thai stance over the issue.

Japan

U.S. Notifies Government Before Attacking Iraq

OW1701012791 Tokyo KYODO in English 0102 GMT 17 Jan 91

[Text] Washington, Jan. 16 KYODO—The United States notified Japan 30 minutes in advance of the start of the war with Iraq, the Japanese Embassy in Washington said Wednesday.

The embassy said U.S. Secretary of State James Baker called in Japanese Ambassador Ryohei Murata to the State Department to inform that the U.S. will attack targets in Iraq and Kuwait to liberate Kuwait.

The meeting took place at 6:30 PM Eastern Standard Time (EST), half an hour before the U.S. launched an attack against Iraq at about 7 PM EST, the embassy said.

U.S. Ambassador Briefs Minister on Gulf Attack

OW1701022091 Tokyo KYODO in English 0210 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—U.S. Ambassador to Japan Michael Armacost called on Vice Foreign Minister Takakazu Kuriyama Thursday to brief him on the U.S. attack on Iraq.

Leaving the meeting, Armacost told reporters he was satisfied with the level of Japan's support for the U.S. activities in the Gulf.

"We regret that it's come to this but they've had six months to comply (with UN Security Council resolutions)," Armacost said in reference to Iraq.

Calls for 'Strong Support'

OW1701040091 Tokyo KYODO in English 0321 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—The United States wants Japan's strong support for the multinational forces battling Iraq to drive it out of Kuwait, U.S. Ambassador to Japan Michael Armacost told Foreign Ministry officials Thursday.

Vice Foreign Minister Takakazu Kuriyama expressed Japan's full support for the United States and the multinational forces, officials said.

Ministry officials said that Armacost made his call for support in a 15-minute meeting with Kuriyama, which they said the Americans requested to brief Japan on the attack, which began Thursday morning.

The meeting came less than two hours after the attack commenced and followed U.S. Secretary of State James Baker's notification to the Japanese Ambassador to the U.S., Ryohei Murata, in Washington just before the attack. It also followed Baker's telephone conversation 30 minutes after the Murata contact to Deputy Foreign Minister Hisashi Owada, who took the call on behalf of Foreign Minister Taro Nakayoa.

Officials said Armacost asked Kuriyama for Japan's strong support for the actions of the anti-Iraq coalition. Armacost stressed that the U.S. intention is not to destroy Iraq or to occupy it, but merely to secure the freedom of Kuwait, officials said. He added that the actions taken are sanctioned by resolutions passed in the United Nations Security Council since the Iraqi invasion of Kuwait on August 2.

The envoy said that while it is regrettable that the military option had to be exercised, the decision only came after all diplomatic efforts for a peaceful resolution had been exhausted and after it became clear that sanctions would not work to bring about an Iraqi withdrawal.

Leaving the meeting, Armacost told reporters he was satisfied with the level of Japan's support for the U.S. activiies in the Gulf. "We regret that it's come to this but they've had six months to comply (with UN Security Council resolutions)," he said in reference to Iraq.

U.S. General Stackpole Calls on Governor Ota

OW1601144491 Naha NHK Television in Japanese 0320 GMT 16 Jan 91

[Text] Today—the deadline date for Iraq's withdrawal from Kuwait—Major General Stackpole, coordinator of the U.S. Forces in Okinawa Area and commander of U.S. forces stationed on Okinawa, called on Governor Ota at the Okinawa Prefectural Government, and exchanged opinions on issues concerning U.S. bases on Okinawa.

Area Coordinator Stackpole said that he understood the feelings of the Okinawan people who suffered great sacrifices during the previous war and who are now living with various problems resulting from the presence of U.S. forces on such a small island. He noted that U.S. forces on Okinawa have to continue conducting exercises as this is their duty, but added that they are paying full attention to matters of safety while conducting these exercises. He said that he wants to carry on open dialogue with the prefectural government in solving a mountain of issues.

In reply, Governor Ota said that the prefectural government is revising its policy concerning the U.S. bases' issues, and that he wants to maintain good relations with the U.S. forces by promoting exchanges of opinions in order to resolve these issues.

Regarding today's call, Major General Stackpole explained that it was a new year courtesy call, but he also admitted that he and the governor exchanged opinions on wide-ranging topics concerning U.S. bases, including U.S. forces' exercises on Okinawa and questions on the return of military bases.

Commenting on today's deadline for Iraq's withdrawal from Kuwait, Major General Stackpole said that U.S. forces have not given up hope for peace, and that war should be the last resort taken. He added, however, that U.S. forces will fight if a war breaks out in the Gulf.

Kaifu Statement on Gulf Action 'Expected Shortly'

OW1701011291 Tokyo KYODO in English 0055 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Prime Minister Toshiki Kaifu summoned the Security Council into emergency session Thursday, shortly after the U.S.-led multinational forces attacked Iraqi positions in a bid to evict Iraq from Kuwait.

A statement from Kaifu expressing Japan's support for the allied military action is expected shortly, government officials said.

The Security Council meeting, held at the prime minister's official residence, is aimed at setting out the Government's national security policy in the face of the Persian Gulf war.

Under standing emergency procedures, the prime minister was to follow the national security session with a full cabinet meeting to deliberate and endorse government policy set by the Security Council.

The council, headed by Kaifu, consists of eight cabinet ministers, including Foreign Minister Taro Nakayama, Finance Minister Ryutaro Hashimoto, and Defense Agency Director General Yukihiko Ikeda.

The Government is set to issue a statement under Kaifu's name, expressing Japan's support for the military action against Iraq as authorized by the United Nations Security Council. Kaifu was also expected to demand that Iraq immediately withdraw all its forces from Kuwait, which it invaded on August 2. The Government was also activating a crisis management task force headed by Kaifu to gather information and thrash out government policies on the unfolding military conflict.

Kaifu Expresses 'Resolute Support'

OW1701043791 Tokyo NHK General Television Network in Japanese 0150 GMT 17 Jan 91

["Special statement" by Prime Minister Toshiki Kaifu on the start of the Gulf war, at an undisclosed location in Tokyo on 17 Jan—recorded]

[Text] [Kaifu in progress] Before dawn today, UN member nations including the United States, the UK, and the Arab states ventured into exercising armed force in order to implement the resolutions of the UN Security Council [UNSC], which call for Iraq's total withdrawal from Kuwait and the restoration of the authority of the legitimate Government of Kuwait.

Heretofore, our country has exerted every effort to find a peaceful resolution to this crisis to the last, while strongly urging the Iraqi Government to promptly implement the UNSC resolutions. Nevertheless, the Iraqi Government has disregarded the UNSC resolutions from beginning to end and continued its aggression and anexation of Kuwait beyond the grace period until 15 January.

Our country strongly denounces this outrageous act of Iraq and, at the same time, deeply regrets that the efforts of the international community for a peaceful solution to this crisis have come to naught.

The naked act of aggression and annexation by Iraq is an affront against the authority of the United Nations, which is responsible for the maintenance of international peace and security, and to overlook this will endanger the fair and stable international order itself, which is needed by all means for Japan's very existence.

From this viewpoint, Japan expresses its resolute support for the latest exercise of force by the nations concerned, an action taken as the last resort on the basis of UNSC Resolution 678 to remove aggression and restore peace. In accordance with the UNSC resolutions, Japan is resolved to extend as much assistance as possible to the actions of the nations concerned to restore international peace and security. In addition, our country has decided to provide as much assistance as possible for the relief of refugees in cooperation with the pertinent international organizations, and is currently translating it into practice.

Japan strongly urges the Iraqi Government to respect the unanimous will of the international community and immediately accept all the pertinent UNSC resolutions. Our country strongly hopes that the hostilities in the Gulf region will be terminated at an early date and that a lasting peace and stability will be achieved in the Middle East at the earliest possible date.

The government has already been taking necessary measures to ensure the safety of Japanese nationals staying in the Gulf and its vicinity. It intends to continue taking every conceivable step for the protection of Japanese nationals so that there will be no unforeseen accidents due to the latest development in the situation. The government is also preparing against the possible outbreak of emergency situations like hijackings at home and abroad, and is taking necessary measures for preventing them. The government also intends to exert efforts to check any baneful influence on the Japanese economy through international cooperation, and to ensure stability of the national life. I request that the nation cooperate in making further energy-saving efforts.

In the wake of the latest development, the government has decided to set up a Gulf Crisis Measures Center, headed by the prime minister under the Cabinet, so that the government can powerfully carry out comprehensive and effective emergency measures in one body.

Convinced that the above-stated package of measures accords with the national interests of our country and also with the ideals of our Constitution, which aspires for a lasting peace through international cooperation, the government ardently calls for the understanding and cooperation of the nation.

Pledges Additional Financial Aid

OW1701072991 Tokyo KYODO in English 0708 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Prime Minister Toshiki Kaifu on Thursday extended Japan's resolute backing to the U.S.-led multinational forces in their offensive to end Iraq's occupation of Kuwait, while at the same time pledging additional financial aid for the forces and refugees in the Persian Gulf.

Kaifu also revealed that he is considering sending transport aircraft of Japan's Self-Defense Force (SDF) to the Gulf to carry refugees and evacuees.

"Japan pledges its firm support to the use of force by the countries concerned carried out in accordance with U.N. Security Council Resolution 678 as the last resort to terminate the invasion and restore peace," Kaifu said in a statement issued several hours after the U.S.-dominated multinational forces attacked Baghdad. He said, "The government of Iraq ... has persistently ignored the Security Council resolutions and continued its invasion and annexation of Kuwait beyond the grace period that expired on January 15," set by the council for Iraq to withdraw from Kuwait.

While condemning the Iraqi action, Kaifu said Japan is determined to extend "maximum possible support" to military actions taken by allied countries to restore peace and stability in the Gulf. Kaifu did not specify, however, how much the government is planning to send in additional aid to support the multinational forces. Japan has already pledged 2 billion dollars in assistance to the multinational forces.

Referring to Thursday's offensive, which he said was based on a U.N. resolution, the prime minister hinted that the multinational forces may purchase weapons and ammunition with funds provided by Japan. He also said in the statement that Japan will offer "maximum possible assistance to the evacuees and refugees" in cooperation with international organizations. He told reporters Japan will disburse as soon as possible 38 million dollars to the U.N. to help those affected by the military attack on Iraq.

Kaifu's statement on early disbursement of this money as well as the resolute backing to the multinational forces was among the first steps the government took after reports reached Tokyo that an offensive had been launched against the Iraqi forces. The offensive came 19 hours after the January 15 U.N. deadline for Iraq to pull out of Kuwait.

To support the refugees, Japan is considering the use of SDF transport planes to carry evacuees and refugees in the Gulf from a humanitarian point of view to contribute in a nonmilitary way, Kaifu said. The use of Japanese military transport planes is extremely controversial in Japan because of a provision in the constitution banning the use of force as a means of settling international disputes.

The prime minister said the government will first ask private airlines to provide planes, and if none are available, SDF planes may be used. He said the dispatch of SDF planes would be based on Self-Defense Force law. Kaifu's remarks did not make clear whether SDF doctors will be sent to the Gulf, though he said he is considering seeking private-level medical contributions.

Foreign Minister Taro Nakayama termed the predawn military attack "a measure of last resort" to evict Iraq from Kuwait. He said he first heard of the attack after U.S. Secretary of States James Baker called in his absence and conveyed a message to him through Deputy Foreign Minister Hisahi Owada.

Japan was notified by the U.S. 30 minutes in advance of the start of the war with Iraq, according to the Japanese Embassy in Washington on Wednesday.

Meanwhile, Kaifu activated a crisis management task force, which he heads, to gather information and work out government policies on the conflict. The initial government response was endorsed by Japan's security council and the full cabinet, both of which were called into session shortly after the outbreak of fighting Thursday. The council, headed by Kaifu, consists of eight cabinet ministers, including Nakayama, Finance Minister Ryutaro Hashimoto, and Defense Agency Director General Yukihiko Ikeda.

Further on Kaifu Statement

OW1701025791 Tokyo KYODO in English 0240 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Prime Minister Toshiki Kaifu said Thursday that Japan "resolutely backs" the U.S.-led multinational forces' attack on Iraqi positions in a bid to evict Iraq from Kuwait.

In a statement, Kaifu also demanded that Iraq immediately withdraw all its forces from the oil-rich Emirate, which it invaded August 2.

Kaifu said, "I resolutely support military actions" the United States and other allied countries had taken, which he said was "the last resort" based on the United Nations Security Council Resolution 678 to restore peace in the Gulf.

"The Iraqi Government has neglected UN Security Council resolutions and continued invasion and annexation of Kuwait" even after the council deadline of January 15 for Iraq to withdraw from its oil-rich neighbor.

Japan imports 70 percent of its oil from the Persian Gulf region, but has sent no military personnel to join the 680,000-member multinational forces arrayed against Iraq.

Kaifu's statement of support was among the first steps the Government took after news reached Tokyo that the multinational forces had launched a massive offensive against the Iraqi forces.

The offensive came 19 hours after the January 15 United Nations deadline for Iraq to pull out from Kuwait. Kaifu also activated a crisis management task force, which he heads, to gather information and work out government policies on the conflict.

The initial government response was endorsed by Japan's Security Council and the full cabinet, both of which were called into session shortly after the outbreak of war.

The council, headed by Kaifu, consists of eight cabinet ministers, including Foreign Minister Taro Nakayama, Finance Minister Ryutaro Hashimoto, and Defense Agency Director General Yukihiko Ikeda.

Opposition Critical of Support to Gulf Forces

OW1701081991 Tokyo KYODO in English 0714 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO - The Japan Socialist Party (JSP) and Japanese Communist Party (JCP) on Thursday criticized the Tokyo government's support for the U.S.-led forces fighting Iraq.

The No. 1 opposition JSP charged that the government is studying "extralegal assistance to the multinational forces going beyond the constitution." It also called on permanent members of the United Nations Security Council to convene an urgent meeting on ways of reaching an immediate ceasefire and resolving the crisis peacefully.

The JCP, Japan's third largest opposition party, accused the government of making light of the war-renouncing constitution by extending financial aid to the multinational forces. The party called on the government to stop supporting the United States.

Japan's second largest opposition party, Komeito, said the Japanese Government should express a clear stand on the war in line with the constitution, which renounces the threat or use of force to resolve international disputes.

The Democratic Socialist Party, however, supported additional financial aid to the U.S.-led multinational forces as long as it is within the framework of the constitution.

The United Social Democratic Party, for its part, said the party hopes the war will end as soon as possible with the fewest possible deaths.

Kaifu May Send SDF Transport Planes to Gulf

OW1701041891 Tokyo KYODO in English 0402 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Japanese Prime Minister Toshiki Kaifu said Thursday he is considering the use of Self-Defense Force [SDF] transport planes to assist the U.S.-led multinational military action against Iraq. He made the remarks at a press conference after United States started bombing Iraq and Kuwait Thursday morning.

Kaifu pledged every possible support for anti-Iraq operations of the U.S.-led allied troops. He said the possible use of Japanese military transport planes, extremely controversial here under the antiwar Constitution, "will be based on Self-Defense Forces Law, and not an ultralegal step."

He specifically mentioned article 12 of the Law, which includes stipulations that the forces can extend necessary transportation and other cooperation for scientific researches in Antarctica and for the prime minister and other officials.

Doi Urges Kaifu Not To Send Planes

OW1701115191 Tokyo KYODO in English 1127 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Japan Socialist Party (JSP) Chairwoman Takako Doi urged the Japanese Government Thursday not to send Self-Defense Forces (SDF) transport planes to rescue refugees in the Persian Gulf region.

Prime Minister Toshiki Kaifu said earlier in the day he is considering sending SDF planes for "humanitarian assistance," noting that commercial airlines were hesitant to send planes to evacuate people from the area shortly after Iraq invaded Kuwait last August 2.

There are still many foreign workers in the Gulf area, including 110,000 from the Philippines alone in eastern Saudi Arabia.

Doi, head of Japan's largest opposition party, made the call in a meeting with Kaifu at the prime minister's official residence.

Doi said there are no lawful grounds for sending SDF transport planes to the Middle East to help refugees fleeing the war, because the Japanese parliament scrapped the U.N. peace cooperation bill last November. That bill would have enabled Japan to send noncombatant members of the SDF overseas as part of a "peace cooperation force."

Doi said the government should consider other ways of assisting the humanitarian activities of the United Nations. She also said Japan should not extend financial aid to the U.S.- led multinational forces to buy ammunition for their war with Iraq.

On this question, Kaifu merely said the government is calculating the amount of aid it will offer the multinational forces. He also said the government is considering how to pay for additional aid.

Doi said Japan must make every effort to bring peace to the Middle East through diplomatic means even now that war has broken out.

Leaders Fail To Agree on Gulf Management Accord

OW1601172191 Tokyo KYODO in English 1652 GMT 16 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Prime Minister Toshiki Kaifu, key cabinet ministers, and ruling Liberal Democratic Party (LDP) executives hurriedly met Wednesday but failed to produce an agreement on crisis management measures as party leaders pressed Kaifu to dispatch Self-Defense Forces (SDF) planes and medical officers to the Persian Gulf if war breaks out, officials said.

The crucial meeting was adjourned before Wednesday midnight. Kaifu and other government and party leaders will continue the meeting Thursday, the officials said. Kaifu started the emergency session around 6 P.M. following the expiry of the U.N. Security Council deadline for Iraq to pull out from Kuwait.

The government proposed a plan of nongovernmental air transport cooperation and medical aid, but party executives strongly insisted on sending SDF transport planes and SDF medical personnel to evacuate Japanese nationals and provide assistance to the multinational forces during the prolonged session, the officials said.

The government presented a plan to use foreign civil airliners between Amman and Cairo to evacuate refugees, but party leaders demanded Kaifu dispatch the SDF's C-130 transport planes to do the job, they said. The party executives reportedly said it would be very difficult to send nongovernmental medical personnel to conflict areas. They also reportedly complained that nothing could be done if confirmation of safety is a prerequisite for realizing the idea of dispatching a medical team to the Gulf.

The emergency meeting was initially adjourned after one hour as Kaifu strongly rejected the party executives' proposals, the officials said. The meeting was resumed around 11:40 P.M. but ended shortly before Wednesday midnight without conclusion, they added.

The meeting also discussed additional aid to support the multinational forces and crisis management measures, including relief of refugees and rescue of Japanese nationals still remaining in the Gulf region, the officials said.

Foreign Minister Taro Nakayama, LDP Secretary General Ichiro Ozawa, LDP Executive Council Chairman Takeo Nishioka and the party's Policy Affairs Research Council Chairman Mutsuki Kato were among those present in the first round of consultations, held in the premier's official residence.

Nakayama reported on the U.S. request for more Japanese financial contributions to the multinational forces in the Gulf repeated by President George Bush in their talks during his recent visit to Washington. The government proposals, including tax measures to finance such contributions, are being discussed in the second round of the government-LDP consultation, the sources said.

Nakayama said the most problematic question was that of the transport of refugees from the region in the event of an exodus from Iraq caused by an outbreak of war. Nakayama said the Foreign Ministry has approached domestic airlines on the matter, but has yet to receive any positive replies.

A top Foreign Ministry official said it appears no longer possible to use domestic carriers to ferry the refugees to their destinations. The official said Japan would most likely make use of foreign airliners.

On medical assistance for refugees in the Gulf, Nakayama said he received the understanding of the cabinet to set aside some time to approach Japanese medical officials for their views on how best to go about the endeavor.

Nakayama said another similar meeting is likely to be held on Thursday, as there were several subjects which were not discussed in full. He said the government will come to a final conclusion on a new package of overall Gulf cooperation measures before he departs on an official visit to the Soviet Union on January 21.

Hashimoto Reveals Plan for Additional Gulf Aid

OW1701050491 Tokyo KYODO in English 0449 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Finance Minister Ryutaro Hashimoto said Thursday that Japan plans "considerable" additional aid to the multinational forces deployed in the Persian Gulf in response to growing calls from the U.S. for an active Japanese commitment to resolving the crisis. "I suppose that the additional aid will be on a considerable scale," Hashimoto told a news conference after a special cabinet meeting.

The additional money will come on top of the 2 billion dollars Japan has already pledged to the Gulf forces and an additional 2 billion dollars in aid to the so-called frontline countries—especially Jordan, Egypt, and Turkey—that have been hardest hit by the turmoil.

Asked how the Government will pay for the additional aid, Hashimoto did not give a specific answer, although he said the ministry will not issue deficit-covering bonds to make up for sluggish tax revenues amid a slower economy. "Would it be appropriate for us to pass on the financial burden of the crisis to future generations?" he said.

Hashimoto also said the Group of Seven (G-7) industrialized nations will meet as scheduled in New York this weekend. "The importance of the meeting has grown even more (now that the war has broke out)," he said. Hashimoto will leave for New York on Saturday.

Opposition Against Further Aid

OW1701045391 Tokyo KYODO in English 1453 GMT 16 Jan 91

[Text] Tokyo, Jan. 16 KYODO—The Japan Socialist Party (JSP) and Japan Communist Party (JCP) on Wednesday urged the government not to provide further aid to the U.S.-led multinational forces arrayed against Iraq in the Persian Gulf region. Komeito, for its part, said Japan should provide only "humanitarian aid," such as refugee relief and medical assistance.

The opposition parties issued separate statements after the deadline for Iraq's withdrawal from Kuwait passed at 2 p.m. Tokyo time.

JSP Secretary General Tsuruo Yamaguchi blasted Foreign Minister Taro Nakayama's support for the potential use of force to dislodge Iraqi troops from Kuwait, saying this runs counter to Japan's "peace" Constitution. Nakayama told U.S. President George Bush on Monday that Japan would fully support the use of force to evict Iraq from Kuwait if it remained after the deadline. The JCP echoed the no. 1 opposition party's stance.

Japan has pledged 2 billion dollars in aid to the multinational forces, plus an additional 2 billion dollars in aid to the so-called "frontline" states hit hardest by the crisis, especially Jordan, Egypt, and Turkey.

Komeito, the JCP, the Democratic Socialist Party, (DSP) and the United Social Democratic Party (USDP) all denounced Iraq for failing to leave Kuwait by the U.N. Security Council deadline.

The JSP did not directly condemn Iraq, instead expressing "deep regret" that the chance for a peaceful settlement has apparently been lost because of Iraq's failure to withdraw.

Business Leaders Urge More Aid

OW1701055391 Tokyo KYODO in English 0524 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Japan's business community called on the Government to offer additional financial and humanitarian support to the U.S.-led multinational force arrayed against Iraq.

Gaishi Hiraiwa, chairman of the Federation of Economic Organizations (Keidanren), urged the Government to provide additional support to the coalition quickly. "War is truly unfortunate," he said. "But Japan must do all it can to bring about a swift resolution (to the crisis) in accordance with UN policy."

Rokuro Ishikawa, chairman of the Japan Chamber of Commerce and Industry (Nissho), urged the Government to offer medical supplies, refugee transport, and other forms of nonmilitary, humanitarian aid.

On the abrupt jump in oil prices and the temporary panic in the financial markets, the president of the Japan Federation of Employers' Associations (Nikkeiren) called on the financial community to react coolly to events in the Gulf.

"Proper management can get us through the crisis. It will be essential to try to keep prices stable," said Nikkeiren President Eiji Suzuki.

"Firms must not take advantage of this an as opportunity to raise prices," said Nissho's Ishikawa.

KDD Says Communications With Iraq 'Disrupted'

OW1701052791 Tokyo KYODO in English 0510 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Kokusai Denshin Denwa Co. (KDD) said Thursday international communications service between Japan and Iraq have been disrupted due to the outbreak of war in the Persian Gulf.

Officials said communications circuits between the two countries went dead at 8:29 AM Thursday (Japan Time).

It appears the 11 circuits KDD uses at the Dujayl Satellite Communications Facility, near Baghdad, have been shut off, officials said.

Communications services to other countries in the Persian Gulf are still operating and the firm is trying to restore communications to Iraq via London and Rome satellite facilities, officials said.

Arabian Oil's Storage Tank Hit by Iraqi Rocket

OW1701075291 Tokyo KYODO in English 0743 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO - Arabian Oil Co., Japan's largest oil producer, said Thursday its oil storage tank in the neutral zone between Kuwait and Saudi Arabia has been hit by Iraqi artillery.

The company said a missile or a rocket apparently fired by the Iraqi Army hit the storage tank in the company's oil production complex in Al Khafji at around 10 A.M. Japan time and the tank is now ablaze.

Company President Hiromichi Eguchi and about 50 employees at the complex are safe, having moved to shelters before the attack.

The complex, just 18 kilometers from the Saudi-Kuwait border, was expected to be a primary target for the Iraqi Army if war broke out.

Despite growing tension in the region the company continued operating at reduced capacity to avoid hurting relations with Saudi Arabia before the expiration of Arabian Oil's exploration and production rights in 2000.

"We have not heard yet that the complex will stop operations," a company official said. "But while closely watching the situation, we will take appropriate measures."

The Foreign Ministry said it has confirmed the safety of the Japanese employees at the site.

Company Halts Operations

OW1701120591 Tokyo KYODO in English 1150 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Arabian Oil Co., Japan's biggest oil producer, said Thursday it has decided to stop operations at its oil production complex in Al Khafji in response to an advisory from the Saudi Arabian Government. The company also said it has begun to evacuate its 48 Japanese employees to Ad Dammam.

The move follows an attack by the Iraqi military earlier in the day on the complex in the neutral zone between Kuwait and Saudi Arabia.

The Japanese staff were relocated to shelters before the raid and were not injured.

The complex, just 18 kilometers from the Saudi-Kuwait border, is Japan's biggest oil production base overseas, producing 250,000 barrels per day. Before the Gulf crisis there were about 2,000 workers there, including 130 Japanese.

Despite the growing tension in the area, the company has continued operating at reduced capacity to avoid hurting relations with Saudi Arabia ahead of the expiration of Arabian Oil's exploration and production rights in the country in 2000.

MITI To Withdraw Part of Oil Reserves

OW1701075391 Tokyo KYODO in English 0446 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—The Ministry of International Trade and Industry (MITI) has decided to withdraw 14.6 million barrels—about four days' supply—from Japan's private-sector crude oil reserves in the wake of the multinational forces' attack on Iraq, MITI officials said Thursday.

The move is in line with the recent agreement at a meeting of the International Energy Agency (IEA) on an internationally coordinated plan to counter a possible oil shortage.

MITI will allow oil wholesalers to draw down oil reserves, now set by law at an 82-day minimum, to 78 days. The ministry will issue an official notice to oil companies as soon as a request from the IEA Executive Director Helga Steep to take steps based on the agreement arrives at the ministry. But MITI officials stressed there is no imminent serious concern about Japan's oil supply.

MITI head Eiichi Nakao told a press conference after a cabinet meeting, "We have judged that there will be no grave effect (of the war) on the supply-demand situation in the domestic market." Nakao pointed out that Japan has a 142-day supply of oil in the public and private sectors reserves, and that any cutoff of supplies from the Gulf would not affect the country for about 20 days—the time it takes for a tanker to travel from the Gulf to Japan.

The 14.6 million barrel stock drawdown will be provided to the Japanese market by the end of February, said Kenjiro Ogata, director general of the Agency of Natural Resources and Energy. That translates into 350,000 barrels a day—the amount an Energy Agency official said the IEA asked Japan to provide.

The IEA member countries agreed last week to make available 2.5 million barrels of oil a day in the event of hostilities in the Gulf through a combination of stock drawdowns, cuts in demand and other measures.

Some 57.8 percent of Japan's crude oil imports in 1989 came through the Strait of Hormuz, down from 75.9 percent at the time of the first oil crisis in 1973. Japan's oil reserves amounted to 520 million barrels of oil products at the end of last November. Fuel oil inventories in the domestic market are also at high levels.

Kerosene inventories at the end of November totaled 7.28 million kiloliters, up 15.1 percent from a year earlier. The level was so high that market experts said they were concerned about major price declines. The inventories of benzene and gasoline were 2.51 million kiloliters, up 18.3 percent from the year-earlier level.

MITI's policy is likely to focus on reassuring the public that there will be no oil crisis for the time being, and preventing any panic reactions to the war, MITI officials said. MITI set up a special task force, headed by Minister Nakao, to carry out a variety of emergency measures. Proposed steps include asking oil companies to refrain from buying oil at soaring prices and augmenting fuel price monitoring. MITI will consider further measures for saving energy and will provide administrative guidance to prevent a sharp upswing in prices, under the MITI plan.

Asked whether the Government is considering raising taxes on oil and gasoline to provide additional assistance to the anti-Iraq multinational forces, Nakao said, "There has so far been no argument (about the issue) in the cabinet." An official of the Energy Agency expressed strong skepticism about such a measure. The official said in order to raise 2 billion dollars, the oil tax would have to be boosted by about 50 percent from the current 2,040 yen per kiloliter.

"Such a step, if taken under growing upward pressures on oil prices, is certain to antagonize the consumers and oil industries alike. Moreover it will take a considerable time to pass the bill," he said.

Oil Importers Advance Saudi Arabian Shipments

OW1701095591 Tokyo KYODO in English 0836 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—The Natural Resources and Energy Agency said Thursday that Japanese oil companies have already started shipping their January crude oil imports from Saudi Arabia.

The agency, affiliated with the Ministry of International Trade and Industry (MITI), said that about 19 million barrels of a total of 25 million barrels of Saudi crude for shipment to Japan in January were loaded on about 70 tankers by January 15 and are now heading for Japan. In anticipation of war in the Persian Gulf, Japanese oil importers advanced their January loads.

Even if shipment of the remaining 5.7 million barrels is delayed, there will be no severe supply shortage until at least late February, given the abundant crude due to arrive in Japan, the agency said.

The agency also expects no sudden stop in crude supplies from Saudi Arabia even if Japanese tankers cannot enter the Gulf, as there are several alternative measures for Japan to transport crude from the area, such as loading crude sent to the Red Sea through pipelines.

Minister Says Tokyo Should Clarify Gulf Stance

OW1601133291 Tokyo KYODO in English 1307 GMT 16 Jan 91

[Text] Tokyo, Jan. 16 KYODO—The government has issued to Japanese travel agencies a new recommendation to stop tours to seven countries in the volatile Persian Gulf, government sources said Wednesday.

The recommendation covers Saudi Arabia, Israel, Jordan, Syria, Bahrain, Qatar, and the United Arab Emirates (UAE), in addition to Iraq and Kuwait for which the government has already issued a similar advisory. As of the end of last week, there were no package tours to the area and no agencies are planning any at present, the sources said.

Meanwhile, Posts and Telecommunications Minister Katsutsugu Sekiya said the government should make clear Japan's stance on the Gulf crisis to the international community through international television and radio networks. His remarks are apparently intended to respond to growing criticism within and outside the country that Japan lacks its own policy on the Gulf crisis.

Agency Warns Vessels in Gulf of Mines, Terrorism

OW1701045191 Tokyo KYODO in English 1356 GMT 16 Jan 91

[Text] Tokyo, Jan. 16 KYODO—Japan on Wednesday gave its ocean-going vessels, particularly in the Persian Gulf region, full warning against drifting mines or terrorist attacks and requested foreign airlines to adopt stricter security measures.

The Maritime Safety Agency, issuing the caution, also asked the ocean-going ships to immediately inform commanders of U.S.-led multinational forces if they detect a mine. The agency released the notice following a special U.S. Defense Department warning for ships in the region. Drifting mines have been detected at 10 points in the Gulf since late December, the Japanese agency said.

The Transport Ministry also warned a Japanese association of ocean liners to be fully alert against possible terrorist attacks amid the increasingly tense situation in the Gulf as the U.N. deadline for Iraq to pullout from Kuwait, set at midnight eastern U.S. time Tuesday, expired. The ministry also requested 50 foreign airline companies flying into Japan to take stricter operational security checks against hijacking and other possible terrorist attacks.

The ministry last week issued similar precautions to Japanese [illegible]lines.

Shipping Firms Not To Send Vessels to Gulf Area

OW1701112191 Tokyo KYODO in English 1036 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 (KYODO)—Management and unions at Japanese shipping firms have agreed not to send Japanese-chartered vessels and Japanese seamen to the Gulf area following the outbreak of war, shipping industry sources said Thursday. The decision will be effective immediately and will not be canceled for a while, the sources said.

As of 5:00 P.M. Tokyo time, there are eight Japanese-related ships in the Gulf, but all of them are sailing out of the Gulf, according to the sources.

The Japanese shipping industry had continued operations to the Gulf as usual in defiance of the Gulf crisis that began early last August with Iraq's invasion of Kuwait as nearly 70 percent of Japan's oil needs come from the region.

The latest decision means that imports of crude oil shipped by the Japanese tanker fleet from ports inside the Gulf will be suspended from mid-February.

In a related development, the Ministry of International Trade and Industry [MITI] is reportedly considering loading Middle East crude oil at Iranian ports outside the Gulf or those in the Red Sea. But oil experts said Japan's oil imports would be halved even if MITI took such measures to import crude oil in the Middle East, and added that oil supplies in Japan would be affected after mid-February at the earliest if the Gulf war lasts that long.

Firms Advise Employees To Leave Gulf Region

OW1701061191 Tokyo KYODO in English 0531 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—Japanese companies operating in the Gulf region on Thursday started advising their employees to leave the region following the outbreak of war, the Foreign Ministry said.

The decision by the companies follows a stepped up advisory notice issued by the ministry earlier in the day urging Japanese nationals to leave eastern Saudi Arabia, Bahrain, and Qatar, it said.

The ministry said most of the Japanese businessmen in the area are staying at home amid the U.S. bombing of Iraq and Kuwait. It said there have been no reports of injuries to any Japanese nationals in the region. It said a report from Al Khafdi, some 20 kilometers southeast of the Saudi-Kuwaiti border, quoted 48 Japanese oil workers as saying they could hear the sound of bombs falling in the distance and they were taking refuge in shelters.

There are still 180 Japanese civilians in eastern Saudi Arabia. There are 11 in Bahrain and 27 in Qatar, excluding embassy officials and journalists.

The ministry said their evacuation from the area is expected to start sometime Thursday afternoon Japan Time.

Teachers and students at the Japanese School in Riyadh, Saudi Arabia, were advised to leave the area, the ministry said.

It also issued less urgent evacuation recommendations to other Japanese nationals in Riyadh, as well as those in Israel, Syria, and Jordan, where a total of 291 Japanese live, including businessmen, students, and those married to local citizens. In addition, the ministry said it is considering advising the evacuation of 99 Japanese in the western Saudi Arabian city of Jeddah and 430 in the United Arab Emirates.

Meanwhile, the Japan Broadcasting Corp. (NHK) reported Thursday it had extended broadcasts to the Middle East by its external shortwave service Radio Japan, from 15 to 23 and a half hours daily, mainly in Japanese. It also said it is accepting messages from family members in Japan for loved ones in the Gulf region and they will be broadcast on its radio service.

Industries Shocked by Gulf War; Coping 'Coolly'

OW1701112091 Tokyo KYODO in English 0741 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—The outbreak of war in the Persian Gulf on Thursday was a painful shock for Japanese industries, particularly the oil industry, but most business people said they were prepared and will cope coolly with the war.

Oil industry officials could not hide their shock at reports of war, as 70 percent of oil consumed in Japan is imported from the Middle East, and there is no clear signs about when the war will end.

Saudi Arabia, which increased oil production and supported international oil market stability after trade bans were imposed on Iraq and Iraqi-controlled Kuwait, now faces possible attack.

Oil industry sources predict crude oil prices could rise as high as 50 dollars per barrel. But many denied possibilities for a new oil crisis, saying the demand-supply situation for crude oil is balanced and prices would decline sharply if the war finished quickly.

Nippon Oil Co. President Kentaro Iwamoto said Japan has enough oil stored to last 142 days. Even a complete stop to imports from the Gulf would not affect Japanese society immediately, Iwamoto said.

Kyodo Oil Co. President Kazunari Nagashima said he believed the war would not last long and his company would cope calmly with the crisis.

Mitsubishi Oil Co. President Kikuo Yamada said people in oil consuming countries, including Japan, should not begin panic purchasing.

Meanwhile, nine major electric power companies decided to establish a center for crisis control for the first time since the 1973 oil crisis. The companies will call on other Japanese industries to implement energy-saving practices, power industry sources said.

Gas suppliers stressed the war has so far had little effect on their industry. Osaka Gas Co. said it had changed the raw material it used from crude oil to liquefied natural gas (LNG) last year. But the company is gathering information to find if LNG prices would rise along with crude oil, the gas company said.

Among other business sectors in Japan, plant construction and trade representatives expressed concern and disappointment that the Middle East, a promising growth area in the 1990s, is now embroiled in war.

An official at Mitsubishi Corp. said he can only pray that no damage occurs at the petrochemical plant it jointly operates in Saudi Arabia. Japanese workers there had moved to safer areas, but there was no way of protecting the plant, he said.

Trading sectors, which have an estimated 40 billion dollars of annual trading volume in the Middle East, are also worried about further developments. Exports of plant technology to the area recorded a dramatic surge of 48.9 percent during the April to September period last year when compared to the same period in 1989, according to the plant construction industry.

Industry officials said it is almost impossible to continue plant construction and shipment of related equipment to the region. If the war expanded, trading with Europe via the Suez Canal could also be affected, they said.

Red Cross Medical Team Departs for Geneva 16 Jan

OW1701013691 Tokyo KYODO in English 1444 GMT 16 Jan 91

[Text] Narita, Chiba Pref., Jan. 16 KYODO—A nine-member Japanese Red Cross Society medical team left for Geneva on Wednesday in preparation for a possible war in the Persian Gulf, officials said.

The team of doctors and nurses is carrying boxes of medicine for chemical-weapon wounds, as well as antibiotics and surgical operation kits. They are also carrying food and sleeping bags.

They will be on stand-by at the International Red Cross's Headquarters in Geneva and if war breaks out will be sent to some point in the Gulf region for a service period of one month. The Japanese team, however, will not be sent to the front.

The group leader, surgeon Masataka Kono, 63, of a Japanese Red Cross Hospital in Tokyo, said the members are all experienced and their families "fully understand" their mission.

Postal Service to 10 Mideast Countries Suspended

OW1701100091 Tokyo KYODO in English 0837 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—The Ministry of Posts and Telecommunications announced Thursday that it has suspended postal service to 10 Middle East countries with the beginning of war in the Persian Gulf.

The countries are the United Arab Emirates, Yemen, Israel, Iraq, Oman, Qatar, Saudi Arabia, Syria, Bahrain, and Jordan.

Letters and parcels directed to these countries and still in Japan's post offices will be stamped "unable to deliver" and returned to the senders.

Draft Antimonopoly Law Guidelines Published

OW1701111191 Tokyo KYODO in English 1017 GMT 17 Jan 91

[Text] Tokyo, Jan. 17 KYODO—The Fair Trade Commission (FTC) on Thursday published guidelines for tougher enforcement of the antimonopoly law in line with Japan's pledge in bilateral trade talks with the United States.

The guidelines embodied Japan's proposed response to criticism from the U.S. that administration of its antimonopoly law is lax and has a lot of loopholes.

"The Draft Antimonopoly Law Guidelines" is aimed at clarifying the FTC's interpretation and enforcement of the antimonopoly law covering distribution systems and business practices, FTC officials said.

The guidelines include detailed definitions of unfair business practices that should be regarded as violations of the law. The guidelines were based on recommendations made in June 1990 by a government advisory body which called on the FTC to make its antimonopoly enforcement more transparent. No criminal penalty has been imposed for a violation of the antimonopoly law since a 1974 case involving an oil price cartel.

The FTC will solicit comments from domestic and foreign antimonopoly authorities, businesses, and consumers on the draft within 60 days, it said. The FTC will publish its final guidelines as early as possible in fiscal 1991, it said. It conveyed the contents of the draft to the U.S. in a follow-up meeting to the Structural Impediments Initiative (SII) talks being held in Tokyo.

The guidelines consist of two parts, with Part I relating to anticompetitive actions by companies and Part II concerning transactions in distribution. Part I covers seven types of business practices, including customer allocation, boycotts, unfair reciprocal dealing, unfair trade practices by means of acquisition or possession of a trading partner's stocks. Part II contains five types of questionable activities, including resale price maintenance, and abuse of a dominant bargaining position by retailers.

On resale price maintenance, for instance, the draft says a resale price is deemed to be illegally restricted "in cases where there is a written or verbal agreement between a manufacturer and its distributors to sell at the prices indicated by the manufacturer," or "artificial means are used to ensure that sales are at the indicated prices."

"Artificial means" here include threatening to take disadvantageous measures such as curtailment of shipment if sales are not made at the manufacturer's indicated price, or surveillance of retail stores and identification of suppliers to distributors who sell below the indicated price.

The guidelines also say customer allocation (customer restriction cartels; market-allocation cartels among competitors) and joint boycott by competitors should be considered illegal in principle.

New Year Interview With Komeito Chairman Ishida

OW1101130991 Tokyo NHK General Television Network in Japanese 0000 GMT 2 Jan 91

['New Year' interview with Komeito (Clean Government Party) Chairman Koshiro Ishida by NHK commentator Takahashi Yamamoto and NHK announcer Miyuki Morita at the NHK studio; date not given—recorded]

[Text] [Morita] Happy New Year, Chairman Ishida. Would you tell listeners about the books you are reading first this year?

[Ishida] I plan to read "The East and West" written by Ryotaro Shiba and a poem composed by Takeo Kuwa.

[Morita] Do you like books written by Ryotaro Shiba?

[Ishida] Yes, I like them. I have read almost all of his books.

[Morita] Do you also read his historical novels?

[Ishida] Yes, I read them.

[Morita] What do you like about his novels?

[Ishida] His novels reveal the real substance of historical events. I read as many of his books as possible in the belief that politicians like me need to read his books.

[Yamamoto] Now, I would like to start my questions by asking about Japan's responses to the Gulf crisis. Komeito has played a key role in bringing about an agreement among the ruling Liberal Democratic Party [LDP], the Komeito, and the Democratic Socialist Party [DSP] on Japan's new international contributions. Looking at recent developments since that time, there has been no substantial progress in the government's policy-making. It appears that the three parties will not be holding talks soon. What do you think of this present situation?

[Ishida] Well, the UN Peace Cooperation Bill was submitted to the latest Diet session. However, the bill encountered opposition from the people because it called for sending Self-Defense Forces [SDF] personnel abroad. The government's answers failed to convince Diet members in the course of deliberating the bill at the Diet session. As a result, the bill was killed. What was confirmed in the course of deliberating the bill at the Diet session was that the Gulf crisis should be settled peacefully. It also was confirmed that Japan absolutely cannot send SDF personnel abroad from the standpoint of adhering to the Constitution and of attaching importance to the United Nations. Because the SDF is military, any overseas group dispatch of its personnel is not permissible under the Constitution. There was an argument at the Diet session that Japan should make not only financial and physical contributions, but also personnel contributions. The mass media, in its comments, has pointed out the need to make personnel contributions. Although the bill was killed, Japan should make contributions for peace in view of its position in the international community. Based on this judgment, the three parties have reached such an agreement. Although newspapers rarely have reported on this question, our party constantly has urged the government to pay attention to the question. Now that the three parties have agreed, the government first should positively work out a draft bill. Our party strongly is urging this point to the government. At any rate, Prime Minister Kaifu made up his mind about this question when his Cabinet was reshuffled, and I think that a bill will be submitted to the next Diet session.

[Yamamoto] You said that your party would leave the work of drafting the bill to the government. I think that there would be various problems including the problem of how to create an organization when the bill is drafted.

[Ishida] Yes, there are.

[Yamamoto] It seems to me that it would be better if the three parties would have detailed discussions beforehand. What do you think?

[Ishida] Various detailed problems will arise. However, I think that in principle, the government's proposal is important. We have Japan's participation in peacekeeping activities in mind. Our party is making a serious study after collecting various data. Our party, if requested, is ready to present its views to the government until the government completes the work of drafting the bill.

[Yamamoto] You mean that your party plans to put forth various views in the course of drafting the bill, do you not?

[Ishida] [laughing] As I have just said, the government should draft the bill. In that sense, our party, if requested, is ready positively to present its views on the bill. Regarding the question of whether we will support the drafted bill, our party will have to examine it in detail.

[Yamamoto] You just mentioned UN peacekeeping activities. I think that the activities include a wide range of areas such as a peacekeeping force, and cease-fire and election monitoring. To what areas do you think Japan should send its personnel?

[Ishida] It concerns how Japan should make peace contributions. I think that consideration should be given to making nonmilitary contributions. I think that if we make considerations based on this idea, we will be able to formulate Japan's various responsive measures perfectly.

[Yamamoto] There is a view among officials of the LDP that SDF assistance is needed to create a new organization, conduct training, and improve the service of the organization. However, many people contend that no such assistance should be recognized by any means.

[Ishida] You are right. The agreement reached among the three parties clearly calls for creating an organization totally different from the SDF. If the agreement is breached, no dialogue will be held among the three parties. I think that there are many people who have been trained in various areas. With this fact in mind, we are going to create a new organization for peace contributions. Because the members of the organization are to be sent overseas, we will have to make a study on its size to some extent. I think that training should be conducted for them based on new ideas.

[Yamamoto] Some are concerned that the organization might become the second SDF.

[Ishida] I do not anticipate that the new organization will become a large organization like the SDF. In that sense, I think that the organization will not become a unit comprised of tens of thousands of members. I think that they do not need to be concerned.

[Yamamoto] The JSP, which has not joined three other parties in reaching the agreement, has announced its own plan. I think that the Komeito may agree on some points in the plan. What about dialogue with the JSP?

[Ishida] Well, the three parties at their talks have asked the JSP to present its views on the agreement. We are waiting for answers from the JSP. I think that the three parties will begin various dialogues upon receiving answers from the JSP.

[Yamamoto] The ball is in the JSP court, is it not?

[Ishida] You are right.

[Morita] I want to ask about the consumption tax. This question has been discussed many times at the Tax System Consultative Council of both the House of Representatives and the House of Councillors, and the ruling and opposition parties have agreed only on some points. As a result, the review of the tax system was postponed until 1991. What do you think?

[Ishida] The Tax System Consultative Council has held 24 rounds of meetings to discuss the defects and other features of the tax system since it was founded. There have been many cases in which the ruling and opposition parties agree on points to be improved. To my regret, the ruling and opposition parties late last year failed to agree on exempting foodstuff from taxation at all distributive stages. However, the parties agreed to continue their discussions in the future. The parties agreed on some points at the final stage. For example, they agreed that house rent, school admission fees, and costs incurred from giving birth must be exempted from taxation. The question of profit taxes has been taken up at the council meeting and the question of 480 billion yen of business management costs, which has not been taxed, has been substantially redressed. Many participants in the council meetings advocated that agreements reached among the ruling and opposition parties should be implemented first. To my regret, nothing has been implemented.

[Morita] Why not?

[Ishida] The JSP stuck to its position that all problems involving the tax system cannot be resolved without excempting foodstuff from taxation at all distributive stages. With regard to a big problem involving the tax system like this, if the ruling and opposition parties do not make concessions to one another as much as possible, they will find other problems in the future. However, they agreed to continue their discussions in the future. At a party head summit which was recently held to discuss the formulation of the 1991 budget, I called upon the government to implement agreements reached among the ruling and opposition parties, but I received no positive response from Prime Minister Kaifu. Although this question of reviewing the consumption tax was not settled during 1990, I intend to devote ample time to redress the defects of the tax system. I think that, because the consumption tax has various problems, the tax system should be repealed and then revised drastically.

[Morita] Some people believe that the consumption tax should be reviewed during 1991. What is Komeito's plan?

[Ishida] Among other things, it is important to hold discussions. However, we cannot move forward unless we know when the discussions will be held. Therefore, we want to somehow find a meeting point among the LDP, the Komeito, and the DSP.

[Yamamoto] This question concerns the land tax system. The Komeito is being criticized for the New Land Ownership Tax. How do you think the tax should be improved?

[Ishida] Regarding the question of the land tax, some people have frequently gained huge profits through land transactions, exploiting high land prices. The tax system was aimed at preventing this, and we have no choice but to expect the tax to do so. A plan drafted by the government calls for 0.2 or 0.3 percent of the tax on land sales, and it is said that tax revenues under this plan are expected to amount to approximately 300 billion yen. I do not think that if the government expects land revenues to reach only 200 or 300 billion yen that this will bring about the great results the government has promised. Therefore, I think that we cannot expect any good results or land prices to be brought down unless the tax is raised to 10 percent or at least 5 percent. Small- and medium-sized enterprises are greatly interested in this issue. We must give full consideration to them so that they will be able to continue their business activities. Therefore, we plan to achieve some good results for them through serious discussions at the next Diet session.

[Morita] Now, I would like to ask you a question regarding the gravity of the one-vote difference. The Supreme Court has ruled that a greater than three times difference in votes for House of Councillors elections is unconstitutional. Regarding the question of redressing the fixed number, the Diet has unanimously adopted a resolution. However, nothing has been done so far, and this is how the actual situation stands. How are you planning to tackle this issue?

[Ishida] First of all, some constituencies have greater than a three times difference in votes under the current medium constituency system. It is true that this violates the Constitution, which stresses the gravity of a one-vote difference, and it is needed to rectify this question quickly. Such an unconstitutional situation exists because of the medium constituency system. I think that we have to redress, among other things, this question. The LDP recently submitted to the Diet the basic outline for political reform. There is a view among many officials within the LDP that the question of a one-vote difference is caused by the current medium constituency system and the simultaneous introduction of the small constituency system, and the proportional representation system will lead to resolving the question. I think that this is a big mistake. I do not think that the reform of the electoral system alone can resolve such problems as corruption resulting from the need for money in elections and the need for money in political activities. In that sense, I think that we should give primary consideration to establishing political ethics or regulating political donations. Then, we can take time to study the issue of introducing the small constituency system if we deem that the medium constituency system is not good. In addition, we also have to give primary consideration to redressing the so-called fixed number. We also need vigorously to promote political reform centering on political ethics. Debates should be held to discuss the electoral system. These measures are what our party has advocated.

[Yamamoto] However, if it is intended to lower the vote difference to less than two times, the fixed number for a substantial number of constituencies should be redressed or the constituency boundary should be changed. Taking this into account, the LDP takes a view that it is a prerequisite to reform the electoral system in a sweeping manner, does it not? What do you think of this view?

[Ishida] I think that the problem is the substance of the reform for the electoral system. Regarding the question of introducing simultaneously the small constituency system and the proportional representation system, the Amami special district is a one-seat constituency where candidates fiercely fight without spending money in their election campaigns. Of late, I visited South Korea and I found that country to have an electoral system similar to Japan's. South Korean legislators told me: Although the election is called a political showdown, it is not a showdown to decide, but a bloody fight. The election is a fight cleaning blood with blood. They urged me not to introduce the small constituency system. They told me in words to that effect. Changing the electoral system alone cannot resolve all problems. I think that if the ruling LDP does not work vigorously for redressing the fixed number under the current medium constituency system, it will be difficult for the party to win back the people's confidence.

[Yamamoto] The LDP is trying to redress the fixed number. I think that other parties need to put forth their own concrete proposals and to hold discussions with the LDP.

[Ishida] Yes, they need to do so.

[Yamamoto] Will your party put forth any proposals?

[Ishida] Yes, our party will. So far, we have put forth our own proposals and hope for active discussions. Various discussions have been held so far. However, discussions among the parties have been deferred because the ruling LDP has shown no resolve to redress the question with earnest. It seems to me that the LDP is not eager to hold energetic discussions with other parties for a final conclusion on this question. I think that this is the biggest problem. Needless to say, I think that all of the political parties are responsible for this situation.

[Yamamoto] I want to ask about the unified local elections. A focus in the elections is, among other things, the Tokyo mayoral election. Mr. Chairman Ishida, you reportedly have expressed your disapproval about backing incumbent Mayor Suzuki, citing his old age. Is there any change in your position?

[Ishida] To explain what I have said, I think that incumbent Tokyo Mayor Suzuki has displayed extraordinary administrative ability. I am not disputing his personal character; on the contrary, I think that he is a wonderful man. Various problems will arise once the elections are held, and his old age may become one of the problems. This is not what I have pointed out. I have only expressed my view after hearing this problem [his old age] from many people. The LDP, the Komeito, and the DSP have agreed in general to fight jointly in the forthcoming mayoral election, but have not yet reached any final agreement. The three parties will pick up a final candidate through discussions, taking previous discussions into account . At the present stage, therefore, I am not in a position to say decisively whether Mayor Suzuki is qualified.

[Yamamoto] In case a new candidate is selected, the LDP-Komeito-DSP cooperative system will continue, will it not?

[Ishida] I am convinced that they will maintain the cooperative system. I anticipate that various discussions will be held among the three parties on the cooperative system. Because Tokyo is the central international city of Japan, I sincerely hope that the best candidate will be selected. I have let our party work on the selection. I think that the selection is a question to be settled through discussions among parties concerned, taking into account the views of Tokyo Municipal Assembly members.

[Morita] What are your party's major campaign strategies for the forthcoming unified local elections including the Tokyo mayoral election?

[Ishida] We have decided to field 2,137 candidates in the forthcoming local elections. Our party has come to effect a generation shift, and many candidates in their forties will be fielded in the local elections. Our party will be able to double candidates in the local elections. Our party sees the forthcoming local elections as a fight to be waged on all party bases in the 1990s. I think that our party is fully prepared for new elections in the 21st century. Because the local elections are closely related to local residents, our party plans to fight in the elections with campaign strategies centering on housing, welfare, and garbage issues which directly affect the residents' lives in local communities.

[Yamamoto] I would like to ask about your party's line. I understand that your party, in last year's party convention, shifted to a direction in which it broke with the JSP-Komeito-DSP cooperative system and sought ties with the LDP. Do you see the cooperative system as having no future?

[Ishida] Our party has seen 1980, 1988, and 1989 as years in which power could be changed and have thought that it is of great significance to change power under the democratic political system. Our party has worked to that end. To our regret, the cooperative system has failed to bring any change in power. In that sense, I do not think that under the present situation, the cooperative system can be promoted further. In the future, our party will have to explore a political foundation on which power can be changed. I think that from the historical standpoint, it is unreasonable to view the JSP-Komeito-DSP cooperative system as a sole and absolute system. Therefore, our party makes and will make considerations from now on after returning to the principle. Returning to the principle does mean the immediate formation of a coalition between the LDP and the Komeito. I do not think that our party is in a situation to move in that direction.

[Yamamoto] A look at the basic policies of your party—such as security, defense, and energy policies—gives me the impression that the Komeito has more points in common with the LDP than with the JSP.

[Ishida] It is certainly just as you point out. However, I think there are two important points to consider in thinking about a future coalition with the LDP. One is the political reform issue. Corrupt cases involving politicians are occurring in rapid succession. Dietman Inamura's case, for instance, was recently brought to light. We must drastically redress this. We want to have an outlook for how far we can improve it. The other thing is that I think the age is already over in which industries are given priority in operating economic policies. Importance should be attached to individual people, livelihoods should be valued, and policies really should be full of humanity. [laughter] Unless the LDP shows adequate consideration in these areas, I would say there are quite a lot of difficulties ahead.

[Yamamoto] This will be our last question. It concerns the rice issue. You are making studies on the assumption that the rice markets will be partially liberalized. Have you arrived at any conclusions yet?

[Ishida] Yes. If the Uruguay Round should fail, the U.S. Administration is required to introduce a bill to Congress. That will be in the middle of February, at the latest. Should that bill be introduced to Congress and adopted by Congress, I think it would lead to very serious bilateral strife. I think that the government should take measures, keeping that thoroughly in mind.

[Yamamoto] Well, thank you very much.

[Morita] Thank you very much.

Mongolia

Government Introduces Emergency Economic Regime

OW1701075591 Ulaanbaatar International Service in English 0910 GMT 16 Jan 91

[Text] The Mongolian Government has introduced an emergency economic regime on production, [words indistinct] and distribution of food on the proposal of the Prime Minister Byambasuren. The cabinet ministers have set up a special commission, headed by First Deputy Premier Ganbold which will oversee the implementation of the decision. The government has decided to supply from the state buffer stock through the trade network and state enterprises those basic commodities like (?bread), dried milk, vegetable oil, animal (?goods), sugar, and tea in order to prevent the (?disruption) in basic commodities.

The Minister of Trade and Industry, Mr. Bayarbaatar, has been entrusted to (?creating the bread) buffer stock within the first and second quarters of the year. Furthermore, the Government has decided to purchase 11 kinds of foodstuffs and certain kinds of manufactured goods worth 50 million U.S. dollars from other states.

Prime Minister Announces Commodity Price Hike

OW1601144691 Beijing XINHUA in English 1344 GMT 16 Jan 91

[Text] Ulaanbaatar, January 16 (XINHUA)—Commodity retail prices in Mongolia will increase twofold from today while government employee salaries and pensions and academic grants will rise by 100 percent.

Mongolian Prime Minister Dashiyn Byambasuren said in a televised speech that the overall price hike, the first in nearly 40 years, is an important move towards a market-oriented economy.

The government decision, published today by the Mongolian official newspaper, stipulates that the price of oil products will rise by 95 percent with gasoline doubled, diesel oil up by 90 percent, coal 74.6 percent and electricity up by 94.4 percent.

The government also announced that it will appropriate 300 million tugrik (about 54 million U.S. dollars) as one-time allocation for those with low incomes or with several children, and 100 million tugrik (18 million U.S. dollars) to help the unemployed to find jobs.

Moreover, the purchasing prices for cattle, goat, milk were also increased.

The government said most commodity prices would be freed in the future, and only the price of meat, milk, flour, egg, children's clothing, electricity, coal, water, etc. will be put under the monopoly of the government.

North Korea

'Attack by U.S. Troops,' Iraqi Reaction Cited

SK1701121191 Pyongyang Domestic Service in Korean 1100 GMT 17 Jan 91

[Text] As a result of the attack that the U.S. imperialists unleashed against Iraq at dawn this morning, a grave war phase has been created in the Gulf.

According to foreign news reports, the attack by U.S. troops began with the firing of Tomahawk cruise missiles at the Iraqi territories from U.S. warships deployed in the Gulf area.

After the cruise missiles were fired, F-117 A Stealth fighter-bombers flew over to the air space above the military bases in Iraq and Kuwait and bombed missile bases.

An assortment of U.S. military strategic and fighter-bombers, such as B-52 strategic bombers, F-15Es, F4s, and F-18s, took part in the U.S. forces' full-scale air attack against various parts of Iraq, including Bagdhad.

U.S. Defense Department officials announced that about 400 aircraft made sorties during the first round of air attacks that lasted for three hours and attacked over 60 targets from the air.

U.S. TV said that about 18,000 tons of bombs had been dropped during the air strike. Also, in the first round of offensive operations against Iraq, the U.S. imperialists are said to have used one fifth of the cruise missiles held by the U.S. forces stationed in the Gulf.

Fitzwater, the White House spokesman, said that the air attack had been carried out quickly and on a large scale. Powell, chairman of the U.S. Joint Chiefs of Staff, babbled that the targets of the air attack were the Iraqi Army Headquarters and control centers.

U.S. Defense Department officials noisily clamored that the U.S. Air Force's large-scale air strike against Iraq will continue for more than 10 days.

In the meantime, according to foreign news reports, Iraq is strongly countering the U.S. forces' attack. Anti-aircraft forces in Bagdhad, the capital city, fired anti-aircraft guns at U.S. fighter-bombers, and the Iraqi troops stationed in Kuwait fired guns at military bases of the multinational forces situated in (Kafuzhi), in the northeastern part of Saudi Arabia.

In a televised speech broadcast this morning for his people, Iraqi President Saddam Husayn branded U.S. President Bush a hypocritical criminal and declared that a confrontation against the devil Bush and the criminal Zionism has begun.

He said that the courageous Iraqi people will smash the demon White House plot and will certainly triumph.

Bagdhad radio, stating that Iraq will never surrender under any circumstances and will teach the United States and its allies a lesson, warned that Iraq will launch a counterattack twice as fierce and that the war will be the beginning of the end of imperialism.

In a bulletin, the Iraqi military authorities said that civilian and military facilities had received blows due to the large-scale air attack launched by the U.S. military forces and urged the Iraqi reservist forces to fight against the multinational forces led by the United States by joining the regular armed forces.

KCNA on U.S. 'Imperialists' Attack on Iraq

SK1701053891 Pyongyang KCNA in English 0525 GMT 17 Jan 91

["U.S. Imperialists Start Attack on Iraq"—KCNA headline]

[Text] Pyongyang January 17 (KCNA)—The U.S. imperialists unleashed a war in the Gulf by attacking Baghdad, the capital of Iraq, at the dawn of January 17, according to reports.

U.S. President Bush issued a statement today, declaring "in conjunction with the forces of our coalition partners, the United States has moved under the code name Operation Desert Storm. Operation Desert Storm forces were engaging targets in Iraq and Kuwait."

White House Spokesman Fitzwater also announced that the United States started attack on Iraq on January 17.

Formations of F-15 fighter-bombers from Saudi Arabia attacked an oil refinery near the presidential palace of Iraq, the airport and television relay centres in Baghdad, according to reports.

Air strikes were also made on the airforce base, missile base, communications network and other military facilities of Iraq.

The city of Baghdad rocked with the sound of anti-air raid artillery shells and hundreds of explosions, said foreign news reports.

The military operation of the U.S. forces against Iraq is now escalating.

Alleged Airlift to Iraq Termed 'Unfounded'

SK1701052391 Pyongyang KCNA in English 0449 GMT 17 Jan 91

[Text] Pyongyang January 17 (KCNA)—Williams, a spokesman of the U.S. Defense Department, noisily cried Wednesday that the DPRK was "airlifting supplies" to Iraq, contravening the U.N. economic sanctions against Iraq, according to a report.

In August last year U.S. imperialists' trumpeters spread the false rumour that we were attempting to transport "weapons and supplies" to Iraq.

It goes without saying that this din is motivated by a sinister political scheme to impair the international authority of our Republic by misleading world public opinion.

It is an old game of the U.S. imperialists to start a thing and connect it in a far-fetched way with another who has nothing to do with it.

The U.S. military authorities' balderdash about our "airlifting of supplies" which is utterly unfounded is a deliberate provocation to our Republic and a foolish political fraud to divert elsewhere the attention of the world from their criminal provocative moves of war.

The U.S. imperialists must not resort to fabrication and third-rate artifice which cannot go down with anyone, but must act with discretion.

U.S. Military Act in Gulf Denounced

SK1701103091 Pyongyang Domestic Service in Korean 0022 GMT 17 Jan 91

[NODONG SINMUN 17 January commentary: "The Aggressors' Preposterous Excuse"]

[Text] Behind the curtain of detente and peace, the imperialists are leaving no stone unturned to retain and expand their supremacy.

Under a variety of crafty and brazen-faced excuses, they are stepping up aggressive military maneuvers against sovereign countries, while trying to bring the socialist and developing countries under their control without firing firing a shot by means of their peaceful transition strategy, aid, and cooperation.

The imperialists have recently taken the road of a new, greater aggression in the Persian Gulf under the pretext of standing up to an aggressor. This is a case in point. It is the imperialists' shopworn trick to cook up this or that excuse to use in invading other countries.

The imperialists' aggression is an intolerable crime as it infringes upon and tramples underfoot the sovereignty and independence of other countries and jeopardizes peace and stability. Whenever they commit aggressive acts, the imperialists usually cook up far-fetched and brazen-faced excuses to justify their acts.

The U.S. imperialists invaded Grenada under the pretext of protecting American lives and defending the freedom in that country; descended upon Panama babbling about the restoration of democratic order; and committed a barbarous bombing act against Libya under the pretext of countering terrorism.

In particular, under the pretext of a nonexistent threat of southward invasion, the U.S. imperialists, who have deployed about 40,000 troops and 1,000 nuclear weapons in South Korea, are accelerating the preparations for a new war of northward invasion, while continuing military buildup.

Facts irrefutably prove that the excuses offered by the imperialists are nothing but slogans of aggression. It is none other than the imperialists that are devoted to: trampling underfoot freedom and blocking democratic development; terrorism; and military aggression on a universal scope.

Imperialism is the main culprit that strangles the national independence of the countries, stands in the way of their independent development, and jeopardizes peace and stability. It is, therefore, utterly preposterous for such imperialist aggressors to talk about freedom, democracy, protection, antiterrorism, or anti-aggression.

No matter what excuses they may offer, the imperialists can never cover up their aggressive nature. Aggression and plundering are the imperialists' unchanging nature and a modus vivendi. They are more openly seeking to realize their ambitions for expanding their supremacy all over the world.

Toward this end, they are making their last-ditch efforts to gain the upper hand, while maintaining thousands of military bases the world over, with hundreds of thousands of troops deployed, and developing new nuclear weapons without let-up.

The so-called arms control or detente are nothing but their tricks for guise. No matter how vehemently they may clamor about defense of the freedom, the restoration of democratic order, a shield against terrorism, or about anti-aggression, the imperialists can never deceive people.

Gone are the days when they could cloak their aggressive nature and hoodwink the public at home and abroad with such ear-pleasing, sugar-coated words.

Today, the revolutionary people have raised the banner of anti-imperialist cause for independence after having penetrated the imperialists' aggressive ambitions.

Yang Hyong-sop Sends Telephone Message to South

SK1701051191 Pyongyang Domestic Service in Korean 0344 GMT 17 Jan 91

[Text] Yang Hyong-sop, chairman of the DPRK Parliamentary Group, sent the following telephone message to the chairman of the South Korean parliamentarians' group of the International Parliamentary Union [IPU] to inform him of our willingness to receive the South side's letter which it wishes to send our side in connection with the 85th IPU Conference to be held in Pyongyang this April.

To Pak Chun-kyu, chairman of the ROK Parliamentarians' Group of the IPU: In the telephone message dated 16 January, you said that you want to deliver a letter to our side in Panmunjom in connection with the 85th IPU Conference to be held in Pyongyang this April. We intend to receive the letter your side wants to deliver to our side.

It is quite natural that the North and the South, which are the same nation, should send and receive letters to and from each other, and it is the elementary etiquette that should be observed under all circumstances. However, regrettably, your side repeatedly refused to receive the letters sent by our side in the past, and even the responsible high-level persons made such an undesirable precedence.

Not to mention the events that occurred long time ago, the fact that the acting prime minister of your side refused to receive the letters of the premier of the State Administration Council of our side a few days ago should be described as an act of rudeness for a responsible person in authority.

Furthermore, the very person concerned in the high-level talks, who has the important responsibility to the nation for reconciliation, unity, and reunification, even refused to accept the letters today when the entire nation firmly foresee reunification in the nineties. We can hardly understand how he intends to sit together and engage in dialogue with our side in the future.

Among the letters which the premier of our State Administration Council wanted to send the acting prime minister of your side were the letters to the lawmakers of various political parties in your National Assembly. In view of this, we must note that the wrong act of the person in authority of your side was a very self-righteous act disregarding even the authority of your National Assembly.

We think that your side should feel responsible for cooling the North-South relations intentionally stepping up the anti-North confrontation policy beginning early in the New Year.

As for receiving the letter of your side, we inform you that we will let you know separately in the near future the date when we will receive it.

[Signed] Yang Hyong-sop, chairman of the DRPK Parliamentary Group, 17 January 1991.

No Tae-u's Campaign 'Fraud' Plans Denounced

SK1601103491 Pyongyang KCNA in English 1003 GMT 16 Jan 91

["Base Offensive for "Election" Rigging"—KCNA headline]

[Text] Pyongyang January 16 (KCNA)—NODONG SINMUN today charges that the No Tae-u-led "Democratic Liberal Party" is already engaged in a fraud campaign with "local Assembly elections" approaching in South Korea.

On January 9, the secretary for the puppet National Assembly speaker made inhabitants in east district, Taegu, assemble on three occasions through his lackeys and, meanly enough, distributed to them more than 130 bags containing foodstuff and other things, imploring for their "support" to him, according to a report.

Recalling that when the "local Assembly elections" were put on the order of the day, the South Korean ruling group vociferated about "fair elections" and "stern punishment of the preelection campaign", pretending as if it were willing to carry out the forthcoming "elections" on a fair basis, a news analyst of the paper says:

Though the No Tae-u ruling group is loud-mouthed about "fair elections", it, in actuality, is employing all conceivable means and ways including the bayonet and swindle for the "election" of as many "DLP" members as possible when the date is not yet set for the "elections".

Such acts indicate that it schemes to consolidate its long-term office structure by making even the "local assemblies" a stage for the solo of the "DLP" and, to this end, is going to resort to fascist rampage, illegality and fraud, appeasement and deception.

But, it is a mistake, if the puppets think they can repress the angry popular sentiments at the point of the bayonet and win the people's favour with a few pennies or bags of goods.

The No Tae-u ruling group and the members of his "DLP" will meet with a greater resistance of the popular masses in the forthcoming "elections".

No Tae-u Criticized for Uruguay Round Stance

SK1501112091 Pyongyang KCNA in English 1006 GMT 15 Jan 91

["Traitor's Boloney"—KCNA headline]

[Text] Pyongyang January 15 (KCNA)—No Tae-u told the "New Year press conference" that the South Korean economy "would suffer tremendously" if the "Uruguay Round" came to a rupture because it ia an "export"-oriented economy, crying that this "negotiation must be led to a success." He also blabbed that his group would "take an active part" in the "Uruguay Round" to help it reach an agreement without fail.

This is an open manifestation of his intention to meekly accept the orders given by U.S. President Bush in his "personal letter" toward the close of last year to take an active part in the "establishment of a world free trade order."

It is none other than the U.S. imperialists who pin greatest hopes on the negotiation.

They seek through the "Uruguay Round" to make up, if only a little, their stupendous financial and trade deficits which have shown an annual upward trend due to their policy of aggression and war and, at the same time, to bring the world economy under their control.

To pledge "an active part" in the "Uruguay Round" is as foolish as attempting to plunge into the fire with faggots on one's back.

This is well illustrated by the reality of South Korea today.

For instance, Du Pont Corp. and Celanese Ltd., U.S. multinational businesses, sell electronic goods and polyacetylene resins, material for spare parts of a car, for 1,600 dollars per ton, 50 percent cheaper than in the United States, riding on the waves of market-opening, with the result that South Korean businesses in this domain are going bankrupt.

If the market is totally opened to agricultural produce and thus U.S. rice, a mere 20 percent of the prices of rice produced in South Korea, is imported, the 1.5 million farm households engaged im rice production will go bankrupt.

Facts tell that the No Tae-u group is a group of traitors who do not hesitate to barter away the country and the nation in order to prolong their dirty remaining days and maintain the colonial fascist ruling system.

North Denounces No Tae-u's Remarks on UN Entry

SK1401082091 Pyongyang Domestic Service in Korean 1150 GMT 12 Jan 90

[Commentary by station commentator Kim Kyong-pok: "A Challenge to the Aspiration of the Nation for Reunification"]

[Text] Of late, the South Korean puppets have been viciously engaged in perpetuating the division of Korea.

On 8 January, saying outside hindrance to reunification is disappearing, traitor No Tae-u raved in his so-called New Year news conference that the rascals will first apply for entry into the United Nations in 1991. In addition, on 10 January, the minister of the puppet foreign affairs raved during his talks with the Japanese counterpart that he wants the North and the South simultaneously enter the United Nations, respectively, but if the North refuses this, Seoul will separately enter the United Nations.

From the beginning of this year, the South Korean puppets babble about their separate entry into the United Nations. This is a vicious challenge to the aspirations of the entire nation for reunification. Thus, this is an intolerable criminal act of throwing a wet blanket on reunification.

Today all the people in the North and the South unanimously support the struggle to achieve reunification of the country, thus marking the 1990's as years of reunification of the country. Representing the aspirations for reunification of all the fellow countrymen, we put forward a way for reunifying the country by means of confederation based on one nation, one state, two systems, and two governments. And, for the consensus of all fellow countrymen, we proposed that a political consultative meeting for national reunification be convened.

The South Korean puppets, however, committed the rude act of refusing to hand over our letter about convening a political consultative meeting for national reunification. Still worse, they babbled about a separate entry into the United Nations, which is aimed at perpetual division of the country, not at reunification.

The racket of a separate entry into the United Nations, kicked off by the puppets at the beginning of this year, a bares their hidden intention of only seeking confrontation and perpetual division this year, leaving out the questions of dialogue and of reunification.

Since the country was divided, both the North and the South have existed without entry into the United Nations. Furthermore, at a time when all countrymen support the struggle to achieve national reunification in the 1990's and when the North-South High-Level Talks to settle the questions of peace and reunification have been promoted, it is an intolerable crime to try to enter the United Nations under the circumstances in which the North and the South are divided, while ignoring the question of reunification.

With aspirations against the division and for reunification, we have consistently claimed that the North and the South enter the United Nations as one reunified Korea. If the North and the South, respectively, enter the United Nation, or if South Korea separately enters the United Nations, the division of Korea will be legitimized in the international arena, and a new obstacle and difficulty to reunification of the country will be created.

If the North and the South enter the United Nations, they should enter jointly with one seat favorable for the cause of reunification, not with two seats.

Because the South Korean people in authority can no longer be in a position of refusing to accept our just claim, they have come to the contacts of delegates to the North-South High-Level Talks to negotiate the question of entry of the North and the South into the United Nations with one seat. Accordingly, contacts on three occasions have been held.

Nonetheless, the puppets said that they will apply for a separate entry into the United Nations in 1991 if the North refuses to simultaneously enter the United Nations, while persistently talking about a simultaneous entry into the United Nations. This is an intention to more viciously adhere to the move to perpetuate the division of the country than ever before.

Traitor No Tae-u babbled about outside hindrances to reunification vanishing. This cannot be interpreted other than revealing his flunkeyist and traitorous nature and his splittist color to prolong his remaining life by begging for the U.S. imperialists' occupation in South Korea and its aggressive moves, which are basic obstacles to reunification, and by clinging to the coattails of his master.

The No Tae-u ring, colonial puppets, who are even not qualified to enter the United Nations, tries to perpetuate division into the two Koreas and act as an independent country, by poorly using the usual international practice that only independent country can enter the United Nations. This is a useless act.

Reunifying the nation, which has been artificially divided by foreign forces, into one is a historical inevitability that no one can block. The puppets' move to legalize the division of the country by misusing the United Nations can never be allowed. And, their move will go unfulfilled.

The No Tae-u ring should look directly at the rising fever of the entire follow countrymen for reunification, and should act with discretion.

Seoul's 'Repressive', 'Criminal Scheme' Decried

SK1501051791 Pyongyang KCNA in English
0436 GMT 15 Jan 91

[Text] Pyongyang January 15 (KCNA)—The South Korean authorities revealed their criminal intention to invest the puppet government officials dealing with youth and children's affairs with judicial police rights at a confab held in "Chongwadae" [presidential residence] on January 12, according to a radio report from Seoul.

This shows that the authorities intend to mobilize even "government officials" in suppressing the forces which call for independence, democracy and reunification, not content with police and puppet army troops posted throughout South Korea.

Their criminal scheme to turn even "government officials" into judicial police tells that the No Tae-u group is trying to further strengthen the fascist repressive system for its long-term office.

No Tae-u Group's 'War Against Crimes' Denounced

SK1501060091 Pyongyang KCNA in English
0459 GMT 15 Jan 91

[Text] Pyongyang January 15 (KCNA)—NODONG SINMUN and MINJU CHOSON today denounce the No Tae-u group for intensifying the fascist suppression of people under the pretext of "a war against crimes".

At "a meeting to hear a report on the implementation of the October 13 declaration" held at "Chongwadae" [presidential residence] on January 12, No Tae-u said "he would not back down an inch in mopping up crimes and violence" and the "home minister" blared that a 4.5 million-strong "reserve force" would be mobilized in the "prevention of crimes".

The news analyst of NODONG SINMUN says:

This is a de facts [as recieved] declaration of war aimed at suppressing this year, too, as they did last year, the South Korean forces for independence, democracy and reunification with the mobilization of all the repressive forces under the pretext of "a war against crimes".

After declaring the "war against crimes" on October 13 last year, the No group has made a fascist sweeping roundup of people of all walks of life, the news analyst notes, and continues:

In threatening that a 4.5 million-strong "reserve force" would be hurled into the "war against crimes", the No group seeks to turn South Korea literally into a theatre of rowdyism of repressive forces, totally stifle the forces for reunification and democracy and carry out "local assembly elections" without mishap and thus consolidate the long-term office system of the military fascist group at any cost.

But, try as it may, the No group can never break the South Korean people's will for independence, democracy and reunification.

The news analyst of MINJU CHOSON says:

The No Tae-u group intends to intensify the repressive offensive against the patriotic forces from the beginning of the year, bringing even the "reserve force" into action. This clearly reveals again its fascist, anti- reunification nature.

KCNA Cites Radio Voice of National Salvation

SK0901120391 Pyongyang KCNA in English
1049 GMT 9 Jan 91

[Text] Pyongyang January 9 (KCNA)—South Korean people expressed full support to the new proposal for national reunification advanced by the great leader President Kim Il-song in his new year address, according to Radio Voice of National Salvation.

A man surnamed Kim belonging to the Coalition for National Democratic Movement said that he heard the new year address of the great leader through radio with emotion and excitement.

He said:

To guarantee peace on the Korean peninsula and create a peaceful precondition for national reunification, to confirm the way of national reunification on the principle of one nation, one state, two systems and two governments and to achieve a great national unity, which were raised by the great president Kim Il-song, are the most just and realistic reunification overtures to practically accelerate national reunification.

If things follow these proposals, the country will be reunified in a few years.

I will strive to bring earlier the day of reunification, upholding the reunification proposal put forward by the great President Kim Il-song in his new year address.

A professor Yi of Hanyang University in Seoul said: The new year address of the great President Kim Il-song convinced me that the country will be reunified before long.

He expressed full support to the way of reunification by confederation based on one nation, one state, two systems and two governments laid down by President Kim Il-song.

The authorities would have no objection. They should promptly respond to the proposal for convening a political consultative conference for national reunification.

A certain Chong, a student of Seoul National University, said that a nonaggression declaration must be adopted between the North and the South and the U.S. troops, the obstructor of reunification and the main factor of the tensions, and nuclear weapons must be withdrawn.

He further said:

The reunification proposal set forth in the new year address is a proposal which can be made only by President Kim Il-song who is concerned for the destinies of the country and the nation.

He is, indeed, the great leader of our nation.

A certain Pak, an opposition party figure, stressed that the politicians must take the lead in realizing meetings between the North and the South, achieving a great unity of the nation and accelerating the reunification of the country. I will work with a zeal for the convocation of a political consultative conference for national reunification to define the way of national reunification, he declared.

South Called 'Insolent' for Refusing Letter

SK1101055091 Pyongyang KCNA in English
0457 GMT 11 Jan 91

["Separatist's Dangerous Signal"—KCNA headline]

[Text] Pyongyang January 11 (KCNA)—The South side Wednesday did such very insolent act as refusing to take over our letter to the South Korean authorities and representatives of the political parties and organizations which was adopted at a joint meeting of the representatives of the DPRK Government, political parties and organizations for carrying into effect the proposal to convene a political consultative conference for national reunification.

Commenting on this, a news analyst of NODONG SINMUN today says:

Our proposal for the convocation of a political consultative conference for national reunification is acceptable to all the politicians who truly want the country's reunification. There is no ground for the South side to reject it.

This notwithstanding, the South side, instead of showing an affirmative response to our proposal of negotiation, refused to take over even the letter containing the proposal. Such act of the South side is a dangerous signal indicating that this year it will lay greater, deliberate obstacles and difficulties in the way of dialogue for reunification and harshly suppress at the point of bayonet South Korean people from all walks of life who are calling for contact and dialogue with the north.

The very day when we held a joint meeting and adopted the letter to the South Korean authorities and representatives of the political parties and organizations, No Tae-u called a "new year press conference" in which he incited confrontation with the North and division.

While totally turning down the just reunification proposal we put forward at the beginning of the year, he said he would not "make haste with the reunification question" but "patiently wait" until some "changes" took place in the North. He also threatened that he "would not pardon" any call for contact with the North in disregard of the "unified channel of dialogue," regarding it as an "illegal act".

It is obvious to everyone that his utterances manifested his stand that he would seek only confrontation and division this year, ignoring dialogue and reunification. No Tae-u proved by his own act that he is a traitor to the nation and the enemy of reunification by going against the people's desire for it.

No crime is more grave than the acts of the South Korean rulers in openly inciting division and obstructing dialogue and reunification, going against the nation's grand march toward reunification in the 1990's.

The South Korean authorities must quickly respond to our proposal for the convocation of a political consultative conference for national reunification, mindful that their anti-dialogue, anti-reunification acts will lead to their disgraceful doom.

Nationwide Call for Reunification Talks

SK1401112291 Pyongyang KCNA in English
1007 GMT 14 Jan 91

[Text] Pyongyang January 14 (KCNA)—NODONG SINMUN today in a by-lined article stresses that the dialogue between the North and the South to solve the question of national reunification must be a nation-wide dialogue which can reflect the will of all political parties, public organisations and people from all strata on a democratic way, not a dialogue representing the will of only authorities or privileged strata.

The article quotes the great leader Comrade Kim Il-song as saying in his New Year address:

"The talks between the authorities of North and South can never be the only channel of the North-South talks."

The national reunification cannot be achieved merely by the efforts of the authorities or privileged strata; it can be achieved only by the active participation and concerted efforts of the whole nation, the driving force of reunification.

To develop non-governmental dialogue as well as the dialogue between the authorities in the North and the South is an excellent way for promoting national unity and reunification.

If the authorities or privileged strata block the participation of the broad people in dialogue and monopolize it, the question of the reunification of the country cannot be resolved in conformity with the will and demand of the whole nation.

Today in South Korea not only students but also democratic figures out of the office, organisations and people from all strata including academic, literature and art, press and religious circles and people of all walks of life demand contact and dialogue with us, calling for pro-communist, pro-North reunification.

Our party and the government of the Republic have made consistent efforts to arrange a wide-range dialogue reflecting the will of the people of all strata while making dialogues between the authorities in the past days. In recent years alone we raised the proposal for convening a North-South joint conference to be attended by the representatives of the authorities, of all political parties and organisations and people of all strata in the North and the South, the proposal for convening a political consultative conference of leading officials of the North and the South; the proposal for convening a top-level consultative conference in which the heads of the authorities and the leaders of political parties in the North and the South will take part and have kept the door of dialogue wide open to all organisations, officials and ordinary working people who aspire after reunification and want contact with us.

But today the South Korean ruling quarters do not allow whatever nongovernmental dialogues except for the authorities or some people designated by them, claiming the "unified channel of dialogue" under the guide of the authorities.

By trying to narrow the door of North-South dialogue and monopolize it, the South Korean authorities seek to abuse it for their splittist aim. If they truly want reunification, they have no ground to oppose the nongovernmental dialogue.

If the South Korean ruling quarters block the reunification dialogue involving people of all walks of life, persistently resorting to the splittist moves such as the "unified channel of dialogue" going against the grand march of the nation toward reunification, they will commit more hideous crimes against history and the people.

U.S.-Seoul Agreement Termed 'Waste Paper'

SK1201054591 Pyongyang KCNA in English 0434 GMT 12 Jan 91

[Text] Pyongyang January 12 (KCNA)—The South Korean authorities are unable to take sanctions against the crimes committed by the U.S. imperialist aggression army soldiers.

According to the South Korean paper TONG-A ILBO, three Yankees including Troy and Thomas, lance corporals of the U.S. 2nd Division present in South Korea, on January 5 jumped into a bar in Tongduchon, destroyed furniture and savagely assaulted two women, seriously wounding them.

The South Korean authorities, however, handed them to the U.S. Forces side without a murmur.

As was reported, a revised text of the "Status of Forces Agreement" concerning the U.S. Forces in South Korea was made public in Seoul on January 4. According to it, the South Korean authorities are authorized to deal with soldiers of the U.S. imperialist aggression army who commit crimes in South Korea.

The South Korean authorities dared not exercise their jurisdiction over the criminals even before the ink on the revised text was dry. This shows that the text is nothing but a sheet of waste paper.

The United States and the South Korean authorities faked up such revised agreement to calm the anti-U.S. sentiments daily growing among the people and keep the U.S. troops in South Korea for an indefinite period. This is a mockery of the people.

The South Korean authorities are ruthlessly suppressing the struggle of broad patriotic forces for independence, democracy and reunification with "government power" under the name of "war against crimes". But they show leniency to the real criminals who must be punished.

This fact proves once again that the South Korean authorities are poor and mean flunkeyists and traitors who are prolonging their remaining days by clinging to the coattails of their U.S. imperialist master.

U.S. Soldiers' 'Atrocities' in South Reported

SK1101053491 Pyongyang KCNA in English 0434 GMT 11 Jan 91

[Text] Pyongyang January 11 (KCNA)—U.S. imperialist aggression army soldiers on January 8 tried to rape primary school girls in Chilgok and Songju Counties, North Kyongsang Province, after kidnapping them, according to a radio report from Seoul.

A Yankee who was driving an army truck on a mountain pass in Kasan-myon, Chilgok County, forced a primary school girl into the cabin and attempted a rape, threatening her with a weapon. When she resisted, he threw her out and fled. Earlier, a U.S. imperialist aggression army soldier, driving a car on the road passing by a village in Sonnam-myon, Songju County, tried to kidnap a primary school girl only to meet with a group protest of inhabitants, and he sped away.

Such criminal acts are an unbearable insult to human conscience and they expose that the U.S. imperialist aggression army is a group of barbarians inferior to beasts.

The South Korean authorities recently staged the drama of "revising" the South Korean-U.S. "Status of Forces Agreement" as if they would prevent atrocities of U.S. soldiers, but facts show that the U.S. imperialist aggression troops regard it as a sheet of wastepaper.

The South Korean people will never pardon the U.S. imperialist aggression forces which inflict unbearable sufferings upon them and the authorities who defend them.

Soviet Military Delegation Tours Mangyongdae

SK1501032791 Pyongyang Domestic Service in Korean 1300 GMT 13 Jan 91

[Text] A Soviet military delegation headed by general Kochetov, first deputy minister of defense, visited Mangyongdae. In Mangyongdae the Soviet guests were briefed on the great leader Comrade Kim Il-song's revolutionary history and his revolutionary family, and looked around the historic remains preserved there.

The guests had a photograph taken in commemoration of their visit to Mangyongdae. After looking around Mangyongdae the head of the delegation wrote in the guest book: Mangyongdae where Comrade Kim Il-song was born and spent his boyhood is the place where the Korean revolution started and is, therefore, treasured in the minds of the Korean people.

He also wrote: Through the Mangyongdae visit, I have come to know better the respect and reverence that Comrade Kim Il-song is receiving from the people.

The delegation visited Kim Il-song Military University. Placed in the campus were the slogans, "We warmly welcome the Soviet military delegation" and "Long live the invincible friendship and unity between the people and armies of the two countries of Korea and the Soviet Union."

After being welcomed by teachers and students at the university, the guests looked around education facilities in the university.

The delegation also toured the International Friendship Exhibition Hall and the Sohae lockgate.

Delegation Hosts Reception

SK1501045991 Pyongyang KCNA in English 0438 GMT 15 Jan 91

[Text] Pyongyang January 15 (KCNA)—General K. Kochetov, first vice-minister of defence heading the Soviet military delegation, hosted a reception at the Soviet Embassy here Monday evening upon the conclusion of the delegation's visit to Korea.

Invited to the reception were chief of the general staff of the Korean People's Army [KPA] Choe Kwang, General Kim Kwang-chin, Colonel General Chon Chae-son and other generals and officers of the KPA.

Soviet Ambassador A.S. Kapto was present on the occasion.

Speeches were exchanged there.

Soviet Paper Cited on Foreign Policy Errors

SK1201034791 Pyongyang Domestic Service in Korean 1200 GMT 11 Jan 91

[Text] The Soviet paper KRASNAYA ZVEZDA in a recent issue carried a commentary entitled, "Do Not Be Afraid of Ghosts Appearing on the Eve of a New Year," in connection with the Soviet foreign minister's resignation.

The paper ironically viewed Soviet Foreign Minister Shevardnadze's claim of the appearance of a dictatorship, while expressing his intention to resign in the 4th Congress of the Soviet People's Deputies, as an attempt to avoid responsibility for the failure of Soviet foreign policy.

The paper quoted another Soviet paper as noting that the Soviet's romantic diplomacy pursued in recent few years has made grave mistakes. Pointing out that such mistakes include unilateral arms cut, errors in relations with Germany and South Korea, and indetermination in its policy toward Asia, the paper expressed concern that the Soviet Union would become isolated in the near future if such a policy contiues to be promoted.

Japanese Assemblies Urge Early Normalization

SK1401055891 Pyongyang KCNA in English 0523 GMT 14 Jan 91

[Text] Pyongyang January 14 (KCNA)—City, cho and village assemblies of Japan launched a dynamic campaign demanding early normalization of diplomatic relations between Japan and Korea, according to a KNS [Korean News Service] report from Tokyo.

A written opinion adopted at the Miyazaki City assembly of Miyazaki Prefecture, stressed that Japan's improvement of relations with the Democratic People's Republic of Korea is an important task to help toward mutual prosperity and peace in Far East and, furthermore, world peace.

Written opinions and requests were adopted at city assemblies including Rumoi City of Hokkaido, Nishinomiya City of Hyogo Prefecture, Oita City of Oita Prefecture, Murioka City of Iwate Prefecture, Ueno City of Mie Prefecture and Yamato City of Kanagawa Prefecture.

The normalisation of diplomatic relations between Japan and Korea will make Korea, which is a "near and far-off country", a "close and friendly country," the opinions and requests stressed, and went on: It conforms to the demand of the times for peace and friendship.

The early normalisation of Japan-Korea relations is the desire of the Japanese and Korean peoples and conforms to the interests of both sides. All the assemblies of Japan should demand the government to make efforts for the early normalisation of Japan-Korea relations.

The written requests adopted by different organisations in Kanagawa Prefecture, pointing to the joint declaration of the three parties on Japan-Korea relations—the Liberal Democratic Party, the Socialist Party of Japan and the Workers' Party of Korea, appreciated the joint declaration as an epoch-making one announcing the start of a new history in improving Japan-Korea relations.

A resolution adopted at a meeting of Japan-Korea exchange in Chiba Prefecture, Japan, referred to the joint declaration of the three parties on Japan-Korea relations. It demanded that the Japanese Government promptly promote with sincerity inter-governmental negotiation based on the agreement of the three parties and exactly implement the articles contained in the joint declaration.

Opinions and requests were also adopted at the Yamada Cho assembly and Kidago Village assembly of Miyazaki Prefecture and the Mori Cho assembly of Hokkaido amd other cho and village assemblies.

Kim Speech Distributed as Official UN Document

SK1101052291 Pyongyang KCNA in English 0456 GMT 11 Jan 91

[Text] Pyongyang January 11 (KCNA)—The part on national reunification of the New Year address for 1991 of the great leader President Kim Il-song was distributed as official document S-22041 of the Security Council of the United Nations on January 7.

Yon Hyong-muk Meets With Malaysian Ambassador

SK1101122291 Pyongyang KCNA in English 1038 GMT 11 Jan 91

[Text] Pyongyang January 11 (KCNA)—Premier of the Administration Council Yon Hyong-muk today met and had a conversation with Malaysian Ambassador to Korea Datuk Noor Adlan Yahayauddin who paid a courtesy call on him. Vice-Minister of Foreign Affairs Cho Kyu-il was on hand.

KCNA Reviews 17 Jan Pyongyang Press

SK1701061891 Pyongyang KCNA in English 0455 GMT 17 Jan 91

[Text] Pyongyang Jan. 17 (KCNA)—NODONG SINMUN today reports that Comrade Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea and president of the Democratic People's Republic of Korea, received a message from Gnassingbe Eyadema, president-founder of the Togolese People's Rally and president of the Republic of Togo, in reply to his message of greetings on the latter's 55th birthday.

According to the paper, a wallpaper carrying the full text of the New Year address of the great leader President Kim Il-song was pasted up at Korea University in Seoul, evoking a big stir among the students.

Conveyed in the paper are words of the South Korean people who want to see an early reunification of the country and bring "Kimilsongia" and "Kimchongilia" into full bloom.

Under the title "President Kim Il-song Is the Great Leader Who Paved the Road of the Era of Independence" the paper carries the voices of foreigners who deeply respect and praise Comrade Kim Il- song.

Immortal classical works of President Kim Il-song were studied and disseminated in Portugal, says the paper.

A NODONG SINMUN article deals with the undying leadership exploits of President Kim Il-song in preventing the split of the youth movement and uniting broad segments of the young people as a great revolutionary force after the liberation of the country.

Carried in NODONG SINMUN and MINJU CHOSON is news that thanks of the Central Committee of the Workers' Party of Korea were conveyed to the units that distinguished themselves in carpeting crop fields with humus soil.

Comrade Jiang Zemin, general secretary of the Central Committee of the Communist Party of China, met with secretary Kim Yong-sun of the WPK Central Committee and his party on a visit to China, says NODONG SINMUN.

An editorial of NODONG SINMUN calls upon the party members to perform new feats taking the lead of socialist construction this year and that of MINJU CHOSON calls for effecting fresh innovations in power production.

The carpeting of crop fields with humus soil is making a brisk headway in rural communities throughout the country, innovations are being effected in the production of electric power and the construction of Tongil Street is progressing fast in Pyongyang, says the press.

Given in the press is an account of a national meeting held to mark the 45th anniversary of the foundation of the League of Socialist Working Youth of Korea.

A celadon porcelain kiln site and relics dating back about 1,000 years were recently discovered in Pongchon County, South Hwanghae Province, says the press.

According to NODONG SINMUN, the Burundian president and the general secretary of the Peruvian Communist Party met with the DPRK ambassadors to their countries.

South Korean news of the press includes reports that six organisations including the family movement for realizing democracy vowed to launch a movement against tortures and students under the Seoul District Federation of General Student Councils waged a protest in front of the U.S. Embassy in Seoul against the dispatch of a military medical team to the Gulf area.

In a semi-monthly review of the South Korean situation, NODONG SINMUN says that the No Tae-u ruling group has intensified crackdown upon pro-reunification democratic forces, seeking anti-communist confrontation and war.

Papers inform the readers of the unending ground and aerial war exercises staged by the U.S. imperialists and the South Korean puppets.

The DPRK's new proposal for national reunification was supported in Mali, Ghana, Togo and other countries, says the press.

The press reports that more resolutions and recommendations calling for an early establishment of Japan-DPRK diplomatic relations were adopted in Japan and a meeting was held in Pyongyang on the occasion of the national day of Togo.

Gulf news of the press includes reports that Iraq entered into a war posture to cope with dangerous war provocation moves on the part of the U.S. imperialists, leaders of different countries called for a peaceful solution to the Gulf crisis and demonstrations against the outbreak of a war in the Gulf region are surging to a higher tide in various countries.

It is reported in the press that the president of the Soviet Union published an appeal to the Supreme Soviet of the Republic of Lithuania on the Lithuanian situation, the Soviet Union recently rejected the U.S. interference in the situation in Lithuania and appointed the chairman of the Council of Ministers and foreign minister.

In a commentary, NODONG SINMUN denounces the imperialists for running headlong towards a new more extensive aggression under the pretext of opposing aggression in the Gulf.

It runs an article titled "The United States Must Withdraw Its Troops and Nuclear Weapons from South Korea".

Progressive People Urged To Fight 'Imperialists'

SK1101120891 Pyongyang KCNA in English 1027 GMT 11 Jan 91

[Text] Pyongyang January 11 (KCNA)—It is a pressing, important task for the progressive people of the world to fight to frustrate the anti-independence, anti-socialist offensive of the imperialists, says NODONG SINMUN today in a by-lined article titled "sharp confrontation and struggle between socialism and imperialism, between progress and reaction".

The article quotes the great leader Comrade Kim Il-song as saying:

"The imperialists are clamouring about the end of a cold war and the arrival of the time of peace. But the international situation is still tense and complicated and a sharp confrontation and struggle between socialism and imperialism and between progress and reaction are going on."

The article says:

The cold war is, to all intents and purposes, an anti-communist confrontation of the imperialists and their policy of interference and war based on the policy of strength; it fully shows the hideous nature of the imperialists' anti-communist, anti-socialist policy.

If the cold war is to be ended and the time of peace to come, the imperialists' reactionary offensive, their policy of confrontation and war to antagonize and stifle socialist countries must be terminated first of all, and their maneouvres againut peace, independence and progress discontinued. The cold war is utterly incompatible with peace and detente.

Today, the imperialists are openly pursuing a wild design to expand their domination with strength on the global scale and viciously attacking the people's cause of independence and peace. For this, acute confrontation and struggle between socialism and imperialism, between progress and reaction, continue. This is the feature of the present international situation and essential nature of the present time. The end of the cold war and the advent of the time of peace can never be achieved by means of declaring them.

Imperialism is responsible for the acute struggle going on between the revolutionary forces and counterrevolutionary forces in the international arena and the creation of difficulty and confusion in the people's cause of peace, independence, sovereignty and socialism.

The imperialists' anti-communist policy today finds concentric expression in their "peaceful transition" strategy. This anti-socialist strategy is aimed at disintegrating the socialist countries from within with the reactionary ideological and cultural infiltration and "liberalization" and turning them back to the capitalist road with the backing of strength, and thus placing them under their political and economic control [as received]. The "peaceful transition" strategy is a vicious and crafty method of anti-socialist offensive of imperialism. This poses a big threat to the cause of socialism.

The U.S. imperialists are directing the spearhead of anti-socialism, anti-independence, anti-peace offensive to the DPRK which is advancing under the uplifted banner of socialism, the banner of independence and peace. They are making nuclear threat and blackmail against us in accordance with their Asian-Pacific strategy and craftily seeking to realize reunification by "prevailing over communism", reunification "through absorption" by breathing the wind of "liberal democracy" into the North, according to the socalled "peaceful transition", while persisting in the "two Koreas" plot.

Owing to the reactionary offensive of the U.S. imperialists, tension is growing hourly and sharp confrontation is continuing on the Korean peninsula, let alone the arrival of the time of peace.

Peace can not be ensured when the imperialists are making reactionary offensive to put the forces of peace and socialism, independence and progress under their control.

Kim Chong-il Chuche-Based Morals Book Published

SK1001123691 Pyongyang KCNA in English
1026 GMT 10 Jan 91

[Text] Pyongyang January 10 (KCNA)—The Workers' Party of Korea Publishing House recently brought out the book "Chuche-Based Revolutionary Outlook on Morals".

The book explains, in combination with the principle of chuche philosophy and historical materials of ethics and culture, the unique idea and theory on the revolutionary outlook on morals set out in the immortal classic work "On Establishing the Chuche Outlook on the Revolution" published by dear Comrade Kim Chong-il in October 1987.

In the work, Comrade Kim Chong-il expounded in an integral system all problems to be resolved by the scientific outlook on morals such as the essence of morals and the revolutionary outlook on morals, its basis of world outlook, the fundamental questions of morals and the principles of the revolutionary outlook on morals in solving them, the norms of morals proceeding from it, the standard and main category of morals, the moral traits of communistic people, the development of socialist society and the development of morals.

The book logically explains the greatness, originality and vitality of the idea and theory on the chuche-based revolutionary outlook on morals which brought about a radical change in the development of progressive outlook on morals of humanity.

The contents of the book are "general understanding of morals," "essence of the chuche-based revolutionary outlook on morals and its historical position," "main features of the chuche-based revolutionary outlook on morals," "principles of the chuche-based revolutionary outlook on morals," "norms of the chuche-based revolutionary outlook on morals," "moral traits of communistic people" and "complete establishment of communist morals in socialist society."

Daily Commemorates 6th Central Committee Meeting

SK0901110191 Pyongyang KCNA in English
1031 GMT 9 Jan 91

[Text] Pyongyang January 9 (KCNA)—NODONG SINMUN today observes the first anniversary of the 17th Plenary Meeting of the Sixth Central Committee of the Workers' Party of Korea.

Our party held the 17th plenary meeting of its sixth Central Committee in January 1990 and called for dynamically pushing ahead with the drive for the maximum increased production and economy in all branches and units of the national economy, the paper says, and goes on:

The plenary meeting put stress on the firm determination of our party to make great leap forward in socialist construction by bringing about a new great revolutionary upswing through the drive for increased production and economy in the 90s just as the plenary meeting of the party Central Committee in December 1956 marked the beginning of a great revolutionary upsurge, and noted that the whole party and all the people must vigorously strive for increased production and economy in the revolutionary spirit of self-reliance and fortitude.

The plenary meeting underlined the significance and importance of the drive for increased production and economy and comprehensively set forth the tasks and ways of strengthening it and a militant slogan "Let us make the existing economic foundations pay off through increased production and economies!" Which we should uphold in the general march of the 90s.

The appeal of our party for the maximum increased production and economy mirrors most correctly the law governing socialist construction and the practical requirements of our economic development and meets the revolutionary zeal and desire of our people to build socialism more efficiently our own way.

The last one year clearly proved that the 17th plenary meeting of the sixth party Central Committee marked, indeed, a brilliant milestone which opened an occasion of new changes in pushing ahead with socialist construction more dynamically by bringing about a revolutionary upsurge once again through increased production and economy.

All the party members and other working masses rose as one in hearty response to the party's call for bringing about a revolutionary upsurge once again through the drive for increased production and economy, with the result that tremendous reserves for increased production and economy have been tapped in all branches of the national economy and production and construction made headway briskly.

The last one year since the plenary meeting was fruitful days of strikingly demonstrating once again the wise guidance of our party leading socialist construction along the straight road of victory, the invincibility of unique socialism of our own style and the might of the single-hearted unity of our party and people.

Our party members and other working people should create a new history of great revolutionary upsurge in the 90s by continuing the vigorous drive for increased production and economy in response to the party's call and bring about an epochal turn in their struggle for national reunification, the paper stresses.

South Korea

No Tae-u Supports 'Resolute Military Actions'

SK1701013291 Seoul KBS-1 Television Network in Korean 0106 GMT 17 Jan 91

[Text] President No Tae-u this morning sent a message to U.S. President George Bush on the beginning of war in the Persian Gulf.

In this message, President No Tae-u said that he regrets very much that in spite of diplomatic efforts made by President Bush in the past for the peaceful resolution of the Persian Gulf situation and of ardent aspirations of all world people for peace, Iraq refused to accept the resolution of the UN Security Council for withdrawal and thus the situation developed into war.

President No Tae-u revealed that together with the Korean people, he fully supports the resolute military actions taken by the United States under President Bush's leadership.

President No Tae-u said that at the U.S. request, the ROK Government extended support of military expenses to the Multinational Armed Forces and economic assistance to the frontline nations in order to positively participate in the efforts for maintaining international peace and that the ROK Government is dispatching a medical support corps for Multinational Armed Forces.

President No Tae-u said that representing the ROK Government and people, he wishes that lofty efforts and sacrifice of the U.S. people will achieve results for peace.

Korean Planes To Transport Allied Troops

SK1701101091 Seoul YONHAP in English 0949 GMT 17 Jan 91

[Text] Seoul, Jan. 17 (YONHAP)—South Korea has decided to support transportion of the U.S.-led multinational forces, presidential spokesman Yi Su-chong said Thursday. After attending a National Security Council meeting held hours after the multinational forces' air raid on Iraq began, Yi said, "Korean Air (KAL) planes will be used for transporting the allied troops." He did not elaborate further.

In the meeting, Defense Minister Yi Chong-ku reported that the U.S. Government had notified that its commitment to defend South Korea was firm and U.S. strategic and tactical support would not be reduced because of the Gulf war.

The meeting, attended by President No Tae-u, Prime Minister No Chae-pong and 26 top security-related officials, agreed that the initial raid on Iraqi targets was successful and decided to begin consultations between the ruling and opposition parties to bring forward the planned dispatch of a 154-member military medical team to Saudi Arabia. A 26-member advance team is in Nuairia, northeastern Saudi Arabia.

Attendants decided to take proper diplomatic moves aimed at maintaining economic ties with the Mideast countries, which are Korea's major source of crude oil, and draw up plans to secure a stable supply of oil in preparation for all contingencies.

It was agreed there is no remarkable change in the oil supply at present and to release government stockpiles to areas reporting temporary kerosene shortages. No instructed officials to put the Armed Forces on higher alert to prevent security threats and to consolidate security cooperation with the United States. He also ordered thorough security plans to be drawn up for Koreans in the war areas, and for Korean vessels and aircraft.

Earlier Thursday, No directed the Armed Forces to be fully prepared for any provocation and told the cabinet to make every effort to protect the public's standard of living. Also among those at the security meeting were Deputy Prime Ministers Yi Sung-yun and Choe Ho-chung, Foreign Minister Yi Sang- ok, National Security Planning Director So Tong-kwon and Gen. Chong Ho-kun, chairman of the Joint Chiefs of Staff.

Seoul Receives Advanced Notice of Gulf Action

SK1701083891 Seoul YONHAP in English 0744 GMT 17 Jan 91

[Text] Seoul, Jan. 17 (OANA-YONHAP)—The United States gave South Korea advance notice of war in the Gulf through the Korean Embassy in Washington and the U.S. ambassador in Korea, presidential adviser Kim Chong-hwi said Thursday.

The U.S. State Department also notified the Korean Embassy of the use of military action just three minutes after the air raid began at 9 AM KST, Kim said.

Kim, chief presidential adviser for diplomacy and national security, told President No Tae-u in a National Security Council meeting convened in the afternoon that the State Department had contacted the embassy at around 7 AM to inform of an imminent serious situation.

"U.S. Ambassador Donald Gregg contacted me at a similar time with the information," Kim said. The Korean Embassy in Washington received official word of the military action from Desaix Anderson, U.S. deputy assistant secretary of state for East Asia and Pacific affairs, three minutes into the air raid, he said. Kim hinted of Korea-U.S. contacts immediately before the attack, saying Defense Minister Yi Chong-ku was contacted by military sources at 8:30 AM.

Seoul To Convene Security Conference on Gulf

SK1701010091 Seoul Domestic Service in Korean 0030 GMT 17 Jan 91

[Text] It is learned that with the beginning of the war by the attack on Iraq by the U.S. authorities, the government will soon convene an emergency national security conference.

With the report on the beginning of a large-scale air raid on Baghdad, the Chongwadae authorities will immediately hold a national security conference at Chongwadae and will urgently discuss the future measures for the Middle East situation.

Government 'May Send' Plane To Evacuate Koreans

SK1701085391 Seoul YONHAP in English 0822 GMT 17 Jan 91

[Text] Seoul, Jan. 17 (YONHAP)—South Korea may send a special plane to the United Arab Emirates to evacuate Koreans from the war-stricken region, officials at Crisis Management Headquarters said Thursday. They said some 400 Koreans in Saudi Arabia and Qatar would be encouraged to drive to the area to catch the plane.

The 500 Koreans in northeastern Saudi Arabia, which is liable to come under attack, had been urged to take shelter in Jeddah and were on the move, the officials said. They also said Koreans in Oman had been asked to gather in the United Arab Emirates.

Foreign Ministry spokesman Chong Ui-yong said the government would make a decision on the dispatch of a second plane Thursday afternoon. "It is virtually impossible to land at airports in Saudi Arabia and Qatar. The government will send a special chartered plane at the earliest possible date, as soon as it finds a place for it to land," he said. He said the second plane would be loaded with gas masks and anti-chemical warfare equipment for Koreans in the Gulf, mostly employees of construction firms. On Wednesday, 301 Koreans returned on a special Korean Air flight.

Chong said more than half of the 100-odd Koreans in Israel had been evacuated to Cairo. "No Korean casualties have been reported by our diplomatic missions in Saudi Arabia and six other Persian Gulf countries so far. The reports say most of the Koreans are relatively calm and are in contact with the missions," he said.

Government Halts Shipping to Gulf States

SK1701030991 Seoul YONHAP in English 0247 GMT 17 Jan 91

[Text] Seoul, Jan. 17 (YONHAP)—The South Korean Trade and Industry Ministry ordered an immediate halt in shipments to Israel, Saudi Arabia, Jordan and Syria, all classified as hot spots, after war began Thursday.

It asked economic associations and organizations to take measures suited to the developments in the Middle East with regard to scheduled shipments to Egypt, Turkey, the United Arab Emirates, Qatar, Bahrain, Oman and Yemen, and to report the measures immediately.

The Export-Import Bank of Korea has stopped underwriting export bill insurance connected with exports to Israel, Saudi Arabia, Jordan and Syria on Thursday and will employ similar measures for exports to Egypt, Turkey, Iran, the United Arab Emirates, Qatar, Bahrain, Oman and Yemen as well if the war escalates.

For clients with whole turnover insurance, the bank has raised share of letters of credit in fixing insurance rates from 60 percent to 70 percent for large firms and from 40 percent to 50 percent for smaller firms.

No Tae-u Puts Armed Forces on Full Alert

SK1701032491 Seoul YONHAP in English 0308 GMT 17 Jan 91

[Text] Seoul, Jan. 17 (YONHAP)—President No Tae-u put the South Korean Armed Forces on full alert Thursday in case North Korea attempted provocation under cover of the Gulf war. In directives issued two hours after the U.S.-led multinational forces attacked Iraq, No told Army, Navy and Air Force commanders to strengthen vigilance and be fully prepared against the "peril of any form of provocation."

The president ordered the police and other law-enforcement agencies to prevent terrorism or destructive acts and "any acts" that aggravate public concern about the Gulf war. "All government offices should take maximum steps to guarantee a smooth supply of major materials, including oil, and not hinder the daily lives of the people," he said.

Plans to send a 154-member military medical team to join the U.S.-led multinational forces arrayed against Iraq should be advanced, No told a Cabinet meeting, urging his ruling Democratic Liberal Party to enable the early dispatch of the medics through consultations with the opposition parties. No also ordered government officials to take stern measures against hoarding of major commodities.

Increased Security Ordered for U.S. Facilities

SK1701025291 Seoul YONHAP in English 0236 GMT 17 Jan 91

[Text] Seoul, Jan. 17 (YONHAP)—National Police Headquarters (NPH) ordered police stations throughout South Korea to beef up security for U.S. personnel and facilities Thursday to prevent possible attacks by foreign terrorists or radical Korean students.

Police are on alert against terrorist attacks on Korea-based Western facilities, in particular U.S. personnel or structures. Police has taken the step following a tip that foreign terrorists may sneak into the country to attack on U.S. targets.

Radical students may also try to storm U.S. facilities or attack them with firebombs to protest the Gulf war, so NPH has stepped up security around U.S. facilities and beefed up spot checks on the streets.

'Kim Chong-il Era' Reportedly Waning in North

SK1401084191 Seoul SEOUL SINMUN in Korean 14 Jan 91 p 8

[Text] It was learned on 12 January that since last year North Korea has temporarily stopped efforts to position Kim Chong-il to succeed to his father. Instead, President Kim Il-song has come back to the fore of power to directly formulate and enforce foreign policy and policy toward the South.

Since the beginning of the eighties, North Korea has been laying the groundwork for Kim Chong-il's succession to his father after designating the eighties as the "Kim Chong-il era." At the same time, North Korea has been carrying out an economic policy fashioned by technocrats under the leadership of Kim Chong-il. However, with serious economic problems and food shortages proving his economic policy a failure, North Korea has reportedly stopped making efforts to have Kim Chong-il positioned to take over power.

President Kim reportedly has resumed responsibility for formulating and enforcing foreign policy after giving Kim Chong-il control of the military establishment by naming him the first vice chairman of the Defense Committee, chaired by Kim Il-song, at the first session of the Ninth Supreme People's Assembly which was hurriedly called on 24 May last year, 9 months earlier than scheduled.

On 12 January, a high-ranking government official said: A high-ranking Soviet official well versed in the internal affairs of North Korea has recently informed our government of this development through diplomatic channels. This Soviet official cited as evidence a series of changes in North Korea's foreign policy since last May, including President Kim's top secret visit to Shenyang, China, last 11 September, and his proposal, made during his meeting with former Japanese Deputy Premier Kanemaru toward the end of September last summer, for negotiations between North Korea and Japan to normalize relations.

The government official added: The Soviet source also said that when North Korea's hawks and doves were at odds over participating in the first round of South-North High-Level Talks last September, President Kim issued directives shortly before the talks saying that North Korea would participate in the talks. President Kim, while effecting partial changes in North Korea's policy toward the South by directly ordering participation in South-North soccer games and a concert for reunification, is now enforcing an economic policy designed to increase consumer goods.

South-North Trade Expected To Grow in '91

SK1401230191 Seoul THE KOREA ECONOMIC JOURNAL in English 14 Jan 91 p 9

[Text] Korea's trade with the North is expected to become brisk in the near future, sources at the government and trading community said.

The Export-Import Bank of Korea reportedly has decided to allow subscriptions for export insurance by Korean enterprises intending to export items to the North, and Pyongyang began permitting imports of commodities describing the country of origin as the Republic of Korea, the sources said.

For instance, Kolon International Corp. had subscribed to export insurance for $2.5 million worth of sock manufacturing equipment to be exported to Pyongyang's Chosun Spinning Co., and it shipped on Dec. 29 last year the equipment with description for the country of origin as the Republic of Korea from Inchon in the south to Nampo in the north.

This was not only the first export deal subscribing to export insurance for export to the North, but also the first export shipments from the South of merchandise denoting the Republic of Koreas as the country of origin, the sources explained.

The export insurance of the Export-Import Bank of Korea will facilitate and therefore increase exports by private firms in the South to the North, the sources predicted.

Although Kolon's deal with the North is an indirect one through its affiliate incorporated in Hong Kong as a matter of form, Kolon has virtually conducted direct negotiations with Pyongyang's Chosun Spinning over the deal and concluded the export contract with the north Korean firm with the approval of the National Unification Board.

Under the contract, Pyongyang's Chosun Spinning Co. reportedly pledged to make payments in kind (socks) for Kolon's sock manufacturing equipment over five years after it begins producing socks with the equipment supplied by Kolon.

Moreover, Kumsong Bank of North Korea has guaranteed payment for Kolon's deal with Pyongyang's Chosun Spinning Co., the sources said.

So far, three export shipments involving $162,000 have been made to the north.

Hyundai Corporation exported 5,000 jackets worth $69,000 to the north in 1989 through a Japanese trading firm; Sunkyong exported 30 million cigarette filters worth $83,000 during the first half of 1990, and Hyundai Corporation exported 170,000 tons of sugar worth $10,000 during the first half of 1990, the sources added.

IZVESTIYA Reporter on KAL Plane Case

SK1401103091 Seoul HANGUK ILBO in Korean 13 Jan 91 p 4

[Text] [Editor's Note] The HANGUK ILBO correspondent in the newspaper's New York branch, Song Hyeran, had an exclusive interview with IZVESTIYA New York correspondent Aleksandr Shalev, who wrote an article in the Soviet Government organ IZVESTIYA dated 20 December that revealed new and important facts about the shooting down of the Korean airliner.

Reporter Shalev started his career as a Soviet official news agency TASS reporter in 1969 and has served as IZVESTIYA correspondent in Britain and Washington for the last 15 years. With his indepth coverage of the Korean airliner incident, he earned a reputation as the "first Soviet investigative reporter." The interview follows.

[Song] Seven years have passed since the Korean airliner incident took place, and with the IZVESTIYA report, the specific particulars of it are being revealed little by little. What motivated you to dig up the truth of this incident as a Soviet reporter?

[Shalev] When the Korean airliner incident occurred, I was a TASS correspondent in Washington accredited to the White House, and was shocked to hear the news. And what weighed on my heart all the more heavily was that neither the Soviet Union nor the United States was telling the truth.

From that day, I was absorbed in this incident, and one year ago when I was dispatched to the United States as an IZVESTIYA correspondent, I made a full-fledged effort to dig up the truth of the incident.

Early last December, I wrote my seven-page article and finally sent it.

As is known, the point I tried to make in my article was that the Soviet Union should make public all the information it has about the Korean airliner incident.

I think that even if the incident took place due to a mistake, the Soviet Union should reveal the whole truth about it, accept criticism, and apologize to the victims and their bereaved families.

[Song] In the IZVESTIYA report, the article by reporter Andrey Aleksey was also shocking.

[Shalev] Reporter Aleksey's article, which was added to mine, reveals new facts which were not previously known.

Reporter Aleksey visited an Air Force base in Sakhalin immediately after the incident.

Our newspaper is preparing serial articles on the Korean airliner incident.

Our reporters in Tokyo, Beijing, and Washington are gathering all the possible data and making an in-depth coverage of the incident, meeting the people involved. You will be reading follow-up articles soon.

[Song] We hear that the Soviet authorities recovered the corpses of the 200-odd victims and burned them.

[Shalev] Our newspaper did not mention that. U.S. NEWS AND WORLD REPORT, a U.S. news weekly, reported it, citing the article carried by our newspaper. I do not know where they got that information.

[Song] Do you know anything about the recovery of the corpses and the whereabouts of the black box?

[Shalev] I cannot tell you anything about it at this stage.

It will be revealed in the articles to follow in our newspaper.

There are many doubtful points both about the Soviet and the U.S. side. For instance, two of the tapes of the Army Radar Headquarters, which could have revealed whether the United States was aware of the Korean airliner pilot's deviation from the air route, were erased without a convincing reason. The United States is avoiding clarification or clear mention of it.

In the book I read, there is an interesting remark referred to by the Korean airliner pilot's lawyer.

The pilot remarked to his wife before boarding the Korean airliner, "I may never see you again."

The Korean airliner incident is still a mystery. Finishing the article on the Korean airliner incident, I felt somewhat relieved from the suppression and anguish I had felt for the last seven years. A full-fledged revelation of the truth of the incident has now begun.

[Song] The ROK Government requested from Soviet Deputy Foreign Minister Rogachev, who came to the

ROK recently, a clarification of the truth of the Korean airliner incident and the data for it.

[Shalev] I understand that the Soviet Government will make an official clarification of the Korean airliner incident soon, and I think that it should do so. I have heard that Deputy Minister Rogachev will meet the chief editor of IZVESTIYA soon to discuss the Korean airliner incident.

Government To Grant Economic Aid to USSR

SK1001133691 Seoul CHOSON ILBO in Korean 10 Jan 91 p 2

[Text] An 18-member Soviet economic delegation led by Yuriy Maslyukov, deputy prime minister for economic affairs, is scheduled to visit the ROK for one week, beginning on 12 January, following the recent visit to the ROK by Igor Rogachev, Soviet deputy foreign minister. Because of this, it is expected that the issue of economic cooperation between the ROK and the Soviet Union will be completely settled next week.

In this connection, Yi Sung-yun, deputy prime minister; Chong Yong-ui, financial minister; and Kim Chong-in, presidential secretary for economic affairs, held a meeting at the Samchong-tong conference room in the morning of 9 January. It has been learned that at the meeting they agreed in principle to accept the Soviet Union's request for economic cooperation and to grant $700-800 million of economic cooperation funds in the first half of the year.

A high-ranking government official said, "As far as I know, in the recent talks with Soviet Deputy Foreign Minister Rogachev, the Soviet side did not raise any objection to our side's basic notion of granting a total of $3 billion of economic cooperation funds in the next three years. The Soviet side, however, asked our side to provide $1 billion first, explaining its recent economic difficulties." He went on to say, "we explained in the talks our present difficult situation and informed the Soviet side that our government would provide $700-800 million, which is more than the originally planned $500 million, as soon as possible."

Annual Cultural Exchange With Japan To Begin

SK0901061491 Seoul YONHAP in English 0531 GMT 9 Jan 91

[Text] Seoul, Jan. 9 (YONHAP)—South Korea and Japan are to initiate a yearly exchange of cultural missions to improve their historically unhappy relationship, the Culture Ministry said Wednesday. "Through unofficial channels, consultations with Japan about exchanging missions have already been made and they will comprise about 100 people from artistic and cultural fields," a ministry official said.

Cultural exchanges between the two countries are nonexistent due to the tragic heritage of the Japanese colonization of the Korean peninsula for 35 years early this century. The missions will mostly attend symposiums and exhibitions on Korea-Japan history, handicrafts and traditional utensils. Folk festivals for Koreans living in Japan are also slated, he said.

The first festival is scheduled for Tokyo in November and a large troupe of performers will take part. Korean residents in Japan will be able to mingle with Japanese citizens in joint costume shows, traditional music concerts and Korean film shows. The ministry will allow joint production of films based upon historical fact from this year, the ministry-designated year for plays and films, the official said.

The idea of joint films has drawn a sharp response in Korea, where there is fear of another colonization by Japan through culture. Lifting a ban on Japanese films and Japanese pop songs is not even being considered, however, and Korea is intent on moving slowly on cultural exchanges until the public in both countries has changed its thinking. The Korea-Japan culture exchange committee will be set up to promote various cultural exchange projects, which are to be financed by both government and private sources, the ministry said.

KOTRA, GTC's To Set Up Offices in Vietnam

SK1401152491 Seoul THE KOREA ECONOMIC JOURNAL in English 14 Jan 91 p 8

[Text] The Korea Trade Promotion Corp. (KOTRA) and general trading companies (GTCs) are speeding up their advances into Vietnam, encouraged by the rapidly developing relationship between the United States and Vietnam. KOTRA and GTCs are aggressively moving to establish branch offices in Ho Chi Minh city and expand trade and direct investments there.

KOTRA is busy preparing to set up its branch office in Ho Chi Minh city in February and is now holding working-level negotiations with the Vietnamese side. It will finalize this matter when it meets with the chairman of the national planning committee of Vietnam, who will visit Seoul at the end of January.

After the opening of KOTRA's branch in Ho Chi Minh city is confirmed, Korean GTCs, including Samsung Co., Hyundai Corp., Lucky- Goldstar Int'l, Hyosung Corp., Daewoo Corp. and Kolon Int'l, are expected to receive approval from the Korean government to open their branches in the capital city of Vietnam. With the opening of Korean branches, Korea's exports of textiles, electronics and machinery to Vietnam are expected to increase sharply, and various resources development projects such as oil prospecting and construction of joint-venture (JV) plants will gain momentum.

In 1990, Korea's exports to Vietnam are estimated at $103 million, and are forecast to reach $123 million in 1991, up 34.9 percent from 1990 levels. As for Korean investments in Vietnam, Kolon Int'l plans to build a $2.6 million JV hemp cloth plant there, and Namyang Ind.

will set up a $3.2 million nylon fishing-net plant. The two companies are waiting for the Korean government to approve their investments.

Government Decides To Open Service Market

SK1501133191 Seoul YONHAP in English 1315 GMT 15 Jan 91

[Text] Seoul, Jan. 15 (YONHAP)—South Korea has decided to drastically open its service market, except for education, health, trade and judicial sectors.

The Korean Government will open wider such service areas as communications, construction and transportation but it will maintain the present market liberalization level in most of the other areas, according to the initial service offer list presented by the Economic Planning Board (EPB) to the GATT's Trade Negotiations Committee Tuesday.

Under the plan for additional opening of the service market, foreigners, who's [as received] business has been limited to domestic services of on-line databases and remote computing services, can engage in international telecommunications service starting in July, only subject to registration, the EPB said.

For the providers of value added telecommunications network (VAN) services, restrictions on foreigners' investments will be eliminated, effective in January 1994. So far the area's domestic services were only allowed to companies with less than 50 percent foreign equity, subject to registration.

In the construction sector, a wholly-owned foreign investment will be allowed from January 1994 while the foreign construction firms will be allowed to operate branches in Korea from January 1996.

In the transportation field, foreigners will be allowed to invest on a 50-50 joint venture in land operation service in the aviation industry from January 1997.

Foreigners and foreign legal entities, who have been totally banned from importing sound recording and video tape recording equipment, will be allowed to engage in audio and visual services starting in January 1992, provided the registration requirements are met.

Nine countries, including the United States, Switzerland and the European Community, had submitted their respective service offer lists during last December's Brussels talks. Korea's initial offer list covers such major service areas as audio-visual, telecommunications, construction, tourism.

Minister Presents 'Flexible Plan' for UR

SK1001111491 Seoul YONHAP in English 1014 GMT 10 Jan 91

[Text] Seoul, Jan. 10 (OANA-YONHAP)—South Korea's key strategy at the Uruguay Round [UR] will be to widen the scope and push up the date of agriculture market opening in exchange for extension on farm subsidy reduction, Economic Planning Minister Yi Sung-yun said Thursday.

Korea will also review implementing non-tariffication in six product categories as proposed at the global trade talks, but only after acquiring sufficient time to carry out the reduction gradually, Yi said.

The top economic official, reporting to President No Tae-u on the outlook and policy on the Uruguay Round, said he had "prepared a flexible plan that can best reflect South Korea's situation within the general flow and framework of GATT regulations instead of demanding for excessive exceptions from the rules."

"We will be pushed into a very difficult position if we insist on our original demands, and we cannot but accept the results of the Uruguay Round as agreed by powerful negotiating countries such as the United States and the European Community on agriculture," he said.

South Korea is also to approve MFN (most favored nation) treatment for all service sectors, which includes finance, one of the most controversial negotiation topics at the Uruguay Round. Seoul's offer list, however, will feature certain restrictions on alien finance institutions regarding foreign capital and foreign exchange, Yi said.

The plan was reported just days before the 107-nation trade forum is to resume Jan. 15 in Geneva after the first round collapsed last month.

Seoul had initially tabled an NTC (non-trade concerns) list of 15 farm products, but only a few of the items will be retained on the list to be submitted at next week's talks, Yi said. Rice and barley, however, will remain as non-liberalization products since imports could seriously undermine South Korea's food security, he said.

While backing down from demands for delayed market opening in the agricultural sector, Korea will stand close to its original subsidy reduction plan of 30 percent over a 10-year period. Even if the farm market is liberalized, the Seoul government will be cushioning the effects of an influx of imports by applying the GATT safeguard, a special measure allowing countries to temporary control imports in the initial stage of market opening.

On six product categories for non-tariffication, Korea is leaning toward accepting the Uruguay Round proposal, Yi said. The six categories include construction material, consumer electronics, steel, fisheries, paper and wood. Korea will put forward its own list for non-tariffication to other countries during next week's talks, Yi said.

Trade Group Expects E. European Exports To Cool

SK1201031491 Seoul YONHAP in English 0244 GMT 12 Jan 91

[Text] Seoul, Jan. 12 (YONHAP)—Weak demand and foreign exchange pressures in Eastern Europe are likely to slow the growth of South Korean exports to the region this year to 40.2 percent, barely half the level last year, according to data from the state-run Korea Trade Promotion Corp. (Kotra).

Data released by the state-run firm Saturday show that exports to seven East European countries will increase from an estimated 918.7 million U.S. dollars in 1990 to 1.3 billion dollars this year. The rate was 103.7 percent last year.

Exports to the Soviet Union are projected at 804 million dollars, up 65.8 percent, to Poland 106.3 million dollars (up 31.4 percent), Bulgaria 24.4 million dollars (up 27.1 percent), Hungary 100.5 million dollars (up 24.1 percent), Yugoslavia 210 million dollars (10.5 percent) and Romania 12.8 million dollars (up 3.2 percent). Czechoslovakia-bound exports will plunge 15.3 percent to 42.5 million dollars, according to the Kotra projections.

Limited buying power and foreign exchange pinches, led by the Soviet demand for payment in hard currencies, are major reasons for the slowing of export growth, though Yugoslavia, Poland and Hungary have strengthened import controls to cope with a lack of foreign exchange.

Kotra says it expects higher energy costs stemming from the Gulf crisis to bring a flood of hard currency into the Soviet Union, a major oil exporter, while demand for consumer goods will continue to run high. To boost consumer-oriented marketing, Kotra will invite Soviet buying missions to Seoul and participate in various export shows in the East bloc this year.

No Orders All-Out Effort To Curb Price Hikes

SK1301062291 Seoul YONHAP in English 0602 GMT 13 Jan 91

[Text] Seoul, Jan. 13 (YONHAP)—South Korean President No Tae-u, warning the economy will face a serious situation if the country fails to curb price hikes, called Sunday on economic related ministers to take strong measures to stabilize prices at an early stage.

In an emergency meeting of economic related ministers convened Sunday morning in Chongwadae, the presidential office, No ordered the ministers to cope strongly with the recent wave of price hikes related with the Gulf crisis and the forthcoming local elections.

"The failure to control inflationary psychology at an early stage will lead to the serious phase of our economy. All ministers should mobilize all means possible to restrain current price increases," No said. Prices have shown signs of spiralling from the beginning of the year with hikes in some service sectors and the deepening Gulf crisis.

No ordered the ministers to regulate the supply and demand of such agricultural products as rice and vegetables for price stabilization and to control unreasonble hikes of rents.

The lack of effort on the part of the government to curb inflation made the people feel insecure about prices, the president pointed out, ordering all the economic related ministries to examine and report daily price trends. After the meeting, Deputy Prime Minister Yi Sung-yun convened a meeting of economic related ministers to discuss anti-inflation measures.

Seoul Outlines Efforts To Step Up Crime War

SK1201024791 Seoul YONHAP in English 0200 GMT 12 Jan 91

[Text] Seoul, Jan. 12 (YONHAP)—South Korea's law enforcement authorities will soon get a boost in their uphill crime control effort from the 4.5 million-member military reserve force, who will patrol the streets.

President No Tae-u, meeting with 104 officials including cabinet members, provincial governors, and mayors to review his Oct. 13 declaration of war on crime, heard from Home Minister An Ung-mo and Justice Minister Yi Chong-nam that a massive drive will be launched to help foster an atmosphere for fair local elections in the first half of the year as well as for maintaining law and order.

"Special teams will be operated to protect citizens who report crimes and victims of crimes. To watch serious offenders more closely, they will be detained in special sections of prisons and a detention house exclusively for heinous felons will be opened," Yi said.

Health and Social Affairs Minister Kim Chong-su said that entertainment establishments, which are prone to lawbreaking, would be placed under special supervision and that cafes in residential districts would be closed down this year. Education Minister Yun Hyong-sop, Culture Minister Yi O-yong and Sports and Youth Minister Pak Chol-on told No that the government would enforce the law against renting obscene videos and cartoons more stringently.

Sim Tae-pyong, chief of the prime minister's office for administration and coordination, said in the meeting held at the presidential office that officials would be told not to become lax as local elections approach.

"New order, new life" campaigns will be activated and the central council for new order-new life, which is under the prime minister's office, will hold regular meetings, he said.

It was decided to increase the number of meter maids and to give them more power and enact a "transportation broadcasting system law" to expand TBS radio broadcasts from Seoul to the rest of the nation.

To encourage respect for traffic laws among taxi drivers, the government will crack down on repeat offenders. Anyone who stacks up more than five offenses will face disadvantages in insurance and owner-driver taxi permits.

Arrests, Convictions for 1990 Crime War Reported

SK1201061191 Seoul YONHAP in English 0524 GMT 12 Jan 91

[Text] Seoul, Jan. 12 (YONHAP)—A total of 1,789 people were nabbed by the prosecution on suspicion of organized violence, drug offenses, abduction of women and other heinous crimes between Oct. 13, when the government declared a war on crime and Dec. 31, the Justice Ministry said Saturday.

Of those apprehended, 918 were formally put under arrest, the Ministry said, adding 633 got jail sentences. Obscenity offense topped the list of crime categories with 1,146, of which 946 were formally arrested. Next was organized violence at 445 with 274 arrested, drug offense at 144 (112 under arrest) and abduction at 21 (10). It said 907 of the people were wanted and 302 were armed.

The prosecution ordered the police to keep close track of 956 former serious offenders and found jobs for 2,907 people on release from prison, the Ministry said. It said 49,104 people committed felonies in 1990 and 633 were sentenced to jail.

* Prospects for Aeroindustry Reviewed

912C0040A Seoul MAEIL KYONGJE SINMUN in Korean 12, 13, 14 Nov 90

[Article in three installments by reporter Chu Ho-sok: "Where is the Plan To Put the Aeroindustry on a Home Production Footing Headed?"]

[12 Nov p 17]

[Text]**"Shock Wave of Review"**

As a result of the government's decision to review the next-generation Korean Fighter Project [KFP], the fate of a program designed to put the nation's aeroindustry on a home production footing has again become an urgent matter of concern. The following is the first in a series dealing with prospects of the review, reactions of the industry, and the future of the home production effort based on views of interested sources and experts. (Editor's note)

The Korean aeroindustry, founded with the colossal goal of joining the advanced nations in the aviation and space area early in the 2000's, is in danger of being thrown into disarray even before taking off. The KFP, earlier regarded as a springboard for the fostering of the nation's aeroindustry, has been plunged into an extremely grave condition, namely, a total review of the project, due to the breakdown of ROK-U.S. negotiations over cost problems. Although a variety of other projects are also under way to promote the aeroindustry growth, the KFP is not only the largest in scale but also involves every enterprise in the industry directly or indirectly. Consequently, it can be said that the grounding of the KFP is tantamount to a collapse of the aeroindustry development program itself.

Especially hard hit by the shock wave from the KFP's reversal to the starting point are companies involved which, trusting government plans, have been investing in the industry for more than five or six years now.

Needless to say, inasmuch as the project itself has not yet been officially canceled but put to a review, there still is room for further bargaining.

However, the cost issue, surfacing as the biggest stumbling block, is not likely to be settled easily. Therefore, whatever settlement may come in the future, losses to companies involved, not to mention setbacks of the aeroindustry program, seem inevitable.

Moreover, although there are differences between the KFP and the HX [next-generation helicopter] project in terms of objective and scale—the KFP is for an Air Force buildup while the HX is for augmenting the Army's transportation and combat power—the two projects are closely interrelated in many aspects.

First of all, as large-scale state projects requiring huge government budgets, both are bound to be seriously affected by the defense budget assessment processes.

Meanwhile, the Ministry of Trade and Industry, with a view to upgrading the aeroindustry, picked three companies—Samsung Aerospace Industries, Korean Air Lines, and Daewoo Heavy Industries—for specialized, concentrated growth programs. Thus setting up a linkage between the KFP and the HX project, the ministry already imposed regulatory measures on the mushrooming firms.

Considering these circumstances, the grounding of the KFP is very likely to adversely seriously affect the implementation of the HX project.

Especially with the HX project, the type of helicopter and the main Korean contractor were already picked in the large-type helicopter section; however, in the medium- and small-size sections, neither the types nor the contractors have been chosen yet and, as a result, the prospects of normal conduct of business are dim in these areas.

This situation naturally spawned dissatisfaction among businesses with government policies, causing them to be deeply skeptical about the future of the industry.

The 12 cooperating firms including Samsung Aerospace Industries, the main KFP contractor, and Korean Air Lines and Daewoo Heavy Industries have invested approximately 400 billion won in the aeroindustry. And now, with the collapse of the KFP, the main object of their investments, they seem unable to shake off their uneasiness.

Needless to say, responsible for this predicament of the Korean aeroindustry is the U.S. authorities' refusal to transfer technology and their unreasonable price hike demand.

The KFP review decision could have been reached for a variety of reasons; however, considering the fact that Japan's next-generation fighter-supporter project is also faced with a possible review because of cost problems, there is no doubt that the cost issue now is the biggest stumbling block.

Industry sources, while criticizing the U.S. side for its overbearing attitude, are expressing dissatisfaction with our government's aeroindustry policy that lacks consistency.

They expect the government to have longer-range plans and targets and be more cautious and circumspect in dealing with the task of fostering the aeroindustry.

[13 Nov p 17]

[Text] **KFP's Future**

"The costs just shown by McDonnell Douglas (MD) are approximately 20% higher than the original plans and we believe they are the best we can come up with. Therefore, while we are ready to cooperate positively with any readjustment in the contents of the project, we cannot accept any cut in the costs."

This is a comment by an MD official to reporters following a recent announcement by the ROK Ministry of National Defense [MND] to put the KFP to an overall review.

"By taking the position that cost cuts are difficult if not accompanied by qualitative and/or quantitative readjustments of the project, MD is apparently ignoring our demands concerning technology transfer and an improved type of plane and telling us to buy an outmoded type of plane. This runs counter to the spirit of the KFP, which is for a buildup of our military power and the fostering of the nation's aeroindustry, and is therefore unacceptable. If the U.S. side should refuse to agree to a price cut, we will have no alternative but take MD off the KFP."

And that was the response by an MND source clarifying the ROK position concerning the cost issue involving the type of plane specified in the KFP (F/A-18 Hornet).

The Korean side insists that for budgetary reasons, unless there is a price cut, there will inevitably be a change in the KFP-specified type of plane, while the MD side asserts that inflation and developments in high technology have pushed up the costs, making the shown increases unavoidable.

There is also a difference over the range of cost increase at issue, with the Korean side insisting that the latest figures shown by MD reflect an increase by more than 40% while MD says the increase is 20%. At any rate, in view of the rigid confrontation over the cost issue, experts are generally of the opinion that it is difficult to expect a smooth sailing of the KFP at the moment.

Some are pinning their hopes on three-day ROK-U.S. security consultations beginning on 13 [November] in Washington, maintaining that the two sides may perhaps be able to reaffirm their positions concerning the KFP review and find a breakthrough to resolve the controversy.

At this session, the Korean side—which is in an unfavorable position in the U.S. application of its foreign military sales (FMS) program—is expected to ask for the easing of terms of contracts, including advance payments. This, they say, may perhaps lead to a KFP modification more or less in favor of the Korean side.

However, in the view of officials concerned, it will be difficult to expect a compromise between the two sides unless they can find a way to bridge the gap over the cost problems.

First of all, as far as the Korean side is concerned, imposing an additional burden on the defense budget is by no means an easy thing. At the same time, they note, to modify the substance of the KFP dealing with quantity and technology transfer clauses runs counter to the original spirit of the project, namely, the fostering of the aeroindustry, as an MND source pointed out earlier.

The question is why we should spend so much money on the KFP if we are to cancel the goal—the fostering of the aeroindustry through technology transfer.

Then, is it possible to change the type of plane?

MND views the change as the worst possible case. Indeed, it is extremely difficult to expect such a change under the present circumstances.

The reasons are that options for type of replacement plane are extremely limited, and that in addition, change of type in this case may trigger diplomatic friction between the two countries because the U.S. Congress already approved the transaction on the basis of the F/A-18.

Son Chu-hyon, chief adviser for the MD Korea branch says: "Considering the fact that MD has been involved with Korea's aeroindustry development programs since 1975, and judging from negotiations to date, I don't think there will be a change of type of plane in the KFP."

At any rate, in view of developments so far, it is unlikely that the KFP will be launched toward the end of this year as planned. Consequently, a setback of the aeroindustry development plan has become unavoidable. The time has come to establish a new direction for the KFP on the basis of a comprehensive study of all the factors involved, including the global disarmament mood, the situation on the Korean peninsula, ROK-U.S. security cooperation and trade relations, and the interministry cooperation at home.

[14 Nov p 17] HX Project

Along with the KFP, the HX project to replace the present 500 MD's with new-type helicopters is a major state project aimed at a buildup of the ROK Forces war potential and, at the same time, the development of the nation's aeroindustry.

Consequently, the aeroindustry pins great hopes on the project.

Especially, the HX project is drawing the mounting concern of the industry because it will in a way determine who will lead the aeroindustry in the future.

Unlike the KFP in which Samsung Aerospace Industries is the sole contractor, the HX project will have a different contractor and type of helicopter selected for each of the large-, medium- and small-size categories, and those contractors will work independently.

Despite the industry's great expectations, however, prospects of the HX project are not necessarily all bright.

First of all, with the KFP—a mother project to which the HX project is attached within the defense budget—having fallen into a labyrinth since put to an overall review, it is feared that the shock wave will hit the HX project, too.

Also, the HX project itself is making little progress. Moreover, businesses are in fact deeply dissatisfied with government policies over matters such as the selection of types of helicopter.

Under these circumstances, the large-size helicopter section is the only section where the main contractor and the type of helicopter have been determined.

Korean Air Lines reached final agreement with Sikorsky on joint production of UH-60 and work will start shortly.

The two firms will build more than 80 UH-60's for delivery to the ROK Army by 1992. And by 1995, Korean Air Lines will have the technology transferred from Sikorsky and engage in additional production of UH-60's.

Robert Daniel, chairman of United Technology (Sikorsky's mother group), during his recent visit to Korea publicly stated that "there will be nothing like cost overruns in the large-size helicopter project after all," raising hopes that the project will make headway as planned.

However, with the small-size helicopter, only the main contractor—Daewoo Heavy Industries—has been chosen but in the type selection, competition is still on among the German MBB's BO105, the French Aerospace's A355, the U.S. Bell's 406CS, and the Italian (Augusta's) A109.

Meanwhile, in the medium-size section in which the industry is most interested, neither the contractor nor the type has been picked yet. Presently, Daewoo Heavy Industries and Samsung Aerospace Industries are competing for contracts on the basis of Sikorsky's H-76 and Bell's 412SP respectively.

It is known that both types have their weaknesses, that 412SP is more or less outmoded and H-76 costs more. An early settlement is being called for as the selection work began spawning a variety of speculations.

In a development separate from the HX project, in the training plane section, Samsung Aerospace Industries and Daewoo Heavy Industries were selected as the main contractors for the high-level and the primary-level training plane sections respectively. And in performance improvement projects too, Samsung and Daewoo have been picked as the main contractors to work on the F-4 Phantom and the F-5 respectively. In this connection, every firm in the industry is complaining a great deal about the selections.

The selections, they say, are way off what the government has been calling for, namely, specialization and affiliation of enterprises.

A Daewoo Heavy Industries source says that the government "lacks consistency in the selection of contracting firms and types of helicopter." "Since the government is totally confused with its policy," he notes, "the industry is left unable to find its way despite its willingness to cooperate."

A Korean Air Lines official involved with the helicopter project also notes that the government's aeroindustry policies are disoriented. "The government seems to have no clearly defined goals in developing the aeroindustry," he says.

* Military Service Exemption of Scientists Urged

912C0059 Seoul MAEIL KYONGJE SINMUN in Korean 5 Dec 90 p 2

[Editorial: "Military Service Exemption Should Be Applied More Widely to Scientists and Engineers"]

[Text] The government reduced existing categories for military service exemption from nine to three by substantially revising and supplementing relevant regulations this year. According to the revised military service law and the enforcement ordinance, the exemption provided to the research manpower still exists in order to provide them with an opportunity for research and development. The privilege, however, is given only to those who, having a master's degree or above, are working for research organizations designated by the Committee for the Military Service Exemption and are qualified for certain requirements. They will then become reservists after doing research and developmental work for five years of obligation in their special areas.

The original objective of the military service exemption for the research manpower, however, was not achieved because of substantial problems created during the implementation procedure. Consequently, there is a concern about failure in supply and demand, and in securing and training the technical manpower. The number of applicants for some of the engineering and science departments of the so-called first class graduate schools, including Seoul National University, whose entrance competition has been severe, was below the allocated quota. The number of candidates for military service exemption allocated to various universities is just symbolic and so small that the university authorities are saying that they would rather give up the allocation.

We support the universal conscription system and believe the duty for military service should by all means be maintained in balance. On the other hand, we strongly insist that the government materialize an establishment of our country on the basis of science and technology by training and educating the necessary manpower. Therefore, we are faced with a situation where we have to determine how to compromise this conflicting requirement or necessity.

Thus, we emphasize the importance of making a wise decision on a more rational basis in order to operate the military service exemption system for a long term national interest based on the people's understanding and consensus.

We understand that the high-power human resources including scientists and engineers are needed for national defense. We also understand that it is appropriate to reduce the exemption categories in an environment where resources of military power are diminishing.

Furthermore, it can be said that those who proceed for their doctorate degrees after obtaining their master's degrees already have preferential treatment in our society. We also understand that giving an additional benefit of military service exemption to those who are already considered to have social privileges is against social equality and may cause social disharmony.

It should not be overlooked, however, that the argument for a wider application of the privilege of military service exemption to bright scientists and engineers, rather than its restriction, is much more convincing. It is because the actual quality of scientists and engineers is one of the major factors for determining the measure of national defense power. This is why there have been numerous examples in the past that advanced nations exempted scientists and engineers from military service even during wartime.

It is the scientific and technological innovations that reinforce our industrial competitive edge decisively. If there is no objection to the argument that technological innovations can only be achieved from securing and training scientists and engineers, we believe it most important to provide an opportunity for the bright research manpower to be able to continue their studies and researches without interruption in their 20's when their creativity is at its peak. Under the current military service law and enforcement ordinance, however, the exemption from military service does not apply to those who want to continue on to their doctorate programs in the university after obtaining their master's degrees. Therefore, they have no choice but to stop their study and research temporarily.

According to the revised military service law, the government abandoned an existing privilege of a shorter military service term given to qualified officers having their master's degrees in science and engineering. Instead, the government created a new system that still provides the military service exemption to selected scientists and engineers with master's degrees if they work for qualified technical research organizations. In other words, the government already selected a policy that gives priority to training and utilization of high-power scientists and engineers, rather than impose military service on them, which is in agreement with what we are arguing here.

Despite the government's wise policy, however, it is a problem that the effect is substantially reduced during the operation of the system. The brain drain that results when those who obtained doctorate degrees from advanced countries continue doing research in those countries, should not be overlooked. Furthermore, we strongly believe that reinforcing the domestic universities' function of training high-caliber scientists and engineers, while systematically supporting the trend of bright people's going into the social science area, is the key to scientific and technological innovation .

Since the exemption privilege is given to those who work for research organizations, some side effects are produced. Some professors appoint the exemption candidates as the staff for the university-affiliated research organizations just to get the exemptions. In the case of a special graduate school, the school authorities established five to six research centers just to get the exemption quota.

The development of high technology, revitalization of research in the basic sciences, and the promotion of developing technical capability in industries are urgently needed. Amidst such an environment, it goes without saying that investing national resources in securing and training the high-caliber research manpower is the highest priority in order to technologically compete with advanced nations. Under such a basic understanding, we hope the government would not hesitate to make a courageous decision to revise the military service law and enforcement ordinance and to improve the operational method.

We propose that the government contribute to establishing a foundation for technological innovation by vastly extending the application of the military service exemption to include not only those who work for research organizations but those who want to continue their graduate studies and research for doctorate degrees in the universities and by selecting the exemption candidates through a strictly fair national examination.

The people need to understand and support the system of providing the privilage of military service exemption. At the same time, we also request that those who are exempted from military service renew their mental attitudes in order to inspire nationalism.

* ISDN Said Planned Between Seoul, Taejon

912C0053 Seoul MAEIL KYONGJE SINMUN in Korean 30 Nov 90 p 17

[Article by Yun Yong-kol: "New Media Era: ISDN (Integrated Services Digital Network) Test Service in December 1990, Commercial Service in 1994"]

[Text] The Integrated Services Digital Network (ISDN), known as a "dream communication network" which opens the 21st century, will be introduced in early December for the first time in our country.

Our country also starts the first step toward the information society in full scale.

This integrated communication network, which will provide test services to 200 members in Seoul and Taejon, combines various high-technology information communication systems. Thus, it can be considered as the central nervous system of the future information society.

Just as a highway can simultaneously provide the transportation for a large number of people, high-technology communication network can also provide the means for exchanging vast amounts of information through one channel consisting of various means of communication.

The ISDN is an integrated communication network combining various high-technology communication service systems such as an image telephone, videotex, personal computer, integrated wired radio, and the super-fast facsimile known as G4-fax.

In order to develop an integrated communication network, technically advanced nations such as the United States, Japan, and France are already at an initial stage of commercial service after finishing the test-service stage.

The Korea Electrotechnology and Communications Corporation (KECC) will provide their initial service to the members of the KECC's research and development team and the project development team, and to selected members of the Korea Electronics and Communications Research Institute (KECRI). The KECC will gradually extend their service to 500 member citizens from the Seoul and Taejon area who want their service next year, to 2600 members in 1992, and to 5500 members in 1993.

Therefore, starting from 1994 Korea will meet an era of full-scale commercial service of the ISDN. The government set aside 54.5 billion Korean won altogether which will be spent between 1991 and 1993 for the ISDN technology development; 36 billion Korean won for technology development and 18.5 billion Korean won for test service projects.

During the test service period, the KECC plans to provide services in such areas as ISDN telephones, ISDN PC's [personal computers], and ISDN telewriting.

The ISDN telephone shows the bill and the phone number of the other party on display attached to the ISDN telephone during phone conversations. This system can help prevent obscene or prank calls.

By using the ISDN PC which has high-speed communication devices, the speed of data communications can be about 30 times faster than that of current PC's. It is also anticipated that the ISDN PC will vitalize the communications through personal computers.

By using the telewriting system, the parties can exchange drawings or letters during telephone conversations so that they can explain complicated drawings or explain directions by drawing maps.

The image telephone system, which is expected to be introduced starting in 1994 when the full-scale ISDN commercial service will start, enables the people to have telephone conversations while they see each other's faces on a screen.

At the initial service period, a stationary image will show on the screen. As the ISDN technology is being advanced to cover wider ranges, motion images will also be introduced.

The KECC has been developing the ISDN technology for test services together with the KECRI by spending 17 billion Korean won from 1985 until 1990. As a result, the basis of an advanced information society is prepared by completing the digitalization of the transmission network, which forms the basis of the ISDN, by 86 percent in downtown areas and 77 percent in the outskirts.

The development of the ISDN is carried out in three phases. During the initial phase until 1991, basic groundwork will be completed, including the digitalization of the communication network, implementation of the common cable signal method, standardization of the related technology, and preparation of the technology bases. During the second phase between 1992 and 1996, the completion of constructing the digital communication network and a commercial service will be started.

From 1997, a wider range of ISDN services will be implemented to cover the whole nation.

In the switchboard service area, the government will distribute the Korean-made completely electronic transmitters, TDX-10's, as major components. In the area of the transmission network, the 64 kbps (kilobytes per second) system will be introduced; and in 1994, a new telephone number system for the ISDN will be introduced.

There is also a plan to construct an international gateway in Taejon in order to communicate with foreign countries through ISDN.

The ISDN specialists pointed out that in order to widely distribute the ISDN service, the computer terminal market should be vitalized. Since the current terminal price is very expensive, the sales volume is low, which discourages the production. They argue that the KECC may have to directly purchase and distribute the terminals.

* Pak Chol-on, Kim Pok-tong To Run for Assembly

912C0061 Seoul CHUNGANG ILBO in Korean
9 Dec 90 pp 32-35

[Article by senior reporter Kwon Yong-u: "Kim Pok-tong and Pak Chol-on Launch Separate Operations To Secure a Foothold for 'Triumphal Entry Into Taegu' In Order To Run in the 14th General Election; Successive Events Have Been Held in the TK (Taegu-Kyongbuk) Stronghold To Demonstrate Their Power"]

[Text] **Ostentatious Events, Signal Bomb Heralding the Duo's Intention To Run From Taegu**

Recently, two events were held successively in Taegu, the stronghold of the TK [Taegu-Kyongbuk] forces, drawing the attention of political circles.

One is the 24 November seminar on juvenile delinquency held by Kim Pok-tong (57), brother-in-law of President No Tae-u and chairman of the Research Institute on International Culture. It was the largest-scale event of the kind ever held in the Taegu area. The other one is the grand ceremony held on the preceding day, 23 November, by Assemblyman Pak Chol-on (48), one of President No's relatives on his mother's side, marking the inauguration of his own supporters' association.

As is widely known, Kim Pok-tong and Pak Chol-on have the following in common: both of them are close relatives of President No; they are graduates of Kyongbuk High School (Kim in the 33d graduating class, and Pak in the 41st); and they have a strong desire to run for the 14th general election from Taegu.

In Kim Pok-tong's case, he is being regarded as one whom the DJP [Democratic Justice Party] wing of the DLP [Democratic Liberal Party], particularly the pan-TK force, in the absence of an appropriate candidate, are likely to consider as one of the possible pinch hitters in the next presidential election. Assemblyman Pak Chol-on, too, as is well known, has a desire to run for the presidency in the presidential election following the next one. Accordingly, it is quite natural that people are interested in what moves these two politicians make in their bases of operation in which they have their own influence and supporters' groups.

Needless to say, the two made their "visit to Taegu" from time to time in the past. However, thus far they have been very cautious in their behavior, refraining from holding public events, and limiting the number of people they met.

What they are doing now is entirely different from the past practice. They have not only held the aforementioned ostentatious events but also have shown off their power, although not nakedly. Local political circles are wondering if these moves are meant as a signal bomb heralding their "triumphal entry into Taegu."

The main subject of the 24 November seminar held in the main office building of the Taegu Bank by the Research Institute on International Culture under Chairman Kim Pok-tong was the "Diagnosis of Juvenile Delinquency and Its Remedies." At first sight, this subject looks far removed from politics.

At this seminar—presided over by Professor Cha Kyong-su of Seoul National University—O Sang-to, principal of Taegu Technical High School, and Professor Han Chun-sang of Yonsei University read their papers and Professor Yi Sang-no, dean of the College of Education, Kyongbuk University, and other experts participated in the debate.

The invited audience included officials interested in juvenile delinquency, such as youth guidance committee members of the local public prosecutor's office and police, student counselors from junior and senior high schools, and professors of psychology in the Taegu area.

Overt Move To Secure Bridgehead

Yi Ki-hong, chief of the coordinator's office of the Research Institute on International Culture, who prepared the seminar, said: "Our original plan was to have invited mainly the chiefs of local government organizations and influential personages, but we changed the plan partly in consideration of the effectiveness of the seminar and partly because we wanted to avoid unnecessary misunderstanding."

In view of Kim Pok-tong's personal ties with Taegu, where the seminar was held, Yi Ki-hong said he had taken minute care to see to it that no ulterior motives were read into the seminar other than its genuine purposes and the intention of the sponsor.

Despite this explanation, however, the seminar had several features which set it apart from other similar gatherings.

First, despite the fact that the seminar was held on Saturday afternoon and the number of people invited was 400, there was such a great turnout that the 500-seat auditorium was jam-packed with many standing.

A considerable number of people who have nothing to do with the juvenile delinquency issue were present.

Chairman Kim Pok-tong's opening speech also was unusually charged with emotion.

He declared: "To me it is very significant that we are holding this seminar near the end of the year 1990, in Taegu, in which my old mother and my brother live, and which is the hometown of my heart, the place to find peace."

Kim Pok-tong presented eyeglasses to O Tong-hui, superintendent of educational affairs, for 675 junior and senior high school students who have poor vision but cannot afford to buy a pair of glasses. In presenting the gift, Kim wished that these students would have "a brighter vision and brighter hearts."

The seminar was followed by a reception in the lobby in the auditorium, and the reception room was packed full with what appeared to be supporters of Kim Pok-tong.

On the preceding day, 23 November, the inauguration ceremony of the association of supporters for Assemblyman Pak Chol-on was held in the Milky Way Hall in the Susonggwan Tourist Hotel in Taegu. The ceremony gave the impression more strongly than the seminar mentioned above that it was intended as an overt effort to secure the bridgehead, and the roster of those present was indicative of the influence this assemblyman wields.

DLP Assemblymen Yu Su-ho, Yi Kung-kyu, and Yi Sang-hoe were the only incumbent lawmakers present because the National Assembly was in session. But all those representing a cross section of the local business community belong to the supporters' association which is made up of 81 members.

The chairman and vice chairmen of the association are the representatives of various industries: Yi Sun-mok, president of Ubang Housing Company, is the chairman; and the four vice chairmen are Pak Tal-sik, president of Taebang Chemical Fiber; Yi In-chung, president of Tong-A Department; O Sun-taek, president of Tongil Steel; and Chong Tong-su, president of Taeyang Industries. Paek Uk-ki, chairman of the Tongguk group; Yi Chong-sun, representative of Pomyang Foods; and Pak Chae-ul, chairman of the Kap-ul group, all of whom are senior business leaders, were chosen as advisors.

In addition, the membership list includes other Taegu business luminaries, such as Kim Tong-ku, president of Kumbokju Company; Ku Yong-mo, president of Taebaek Company; Kim Si-hak, president of Chonggu Housing Company; Kim Sang-ku, president of Posong Housing Company; and leading businessmen in other areas of North Kyongsang Province including Chu Song-won, chairman of the Pohang Chamber of Commerce and Industry, and Pak Chae-u, chairman of the Kyongju Chamber of Commerce and Industry. The list is a veritable roster of all representative businessmen in the Taegu-Kyongbuk area.

One member whispered: "If the door had been wide open, an enormously large number of businessmen would have gathered. I understand that the membership was strictly choson from among businessmen in different industries and different areas."

The chairman of a local DLP chapter who attended the ceremony expressed his amazement in these words: "I am envious at the success of the ceremony; all of those businessmen who usually excuse themselves from attendance at meetings of supporters for other assemblymen were present at it."

In addition to businessmen, Yi Man-su, a professional baseball player; Kim Chae-yop, a judo champion; and Om Aeng-ran, a former popular actress, also attended as members of the association. Thus the membership list showed the extensiveness of the strata of the supporting group.

Addressing the ceremony, Assemblyman Pak Chol-on outlined three tasks, namely: democratic development, national harmony, and national reunification, as a step toward becoming one of the key nations of the world from a backwoods country in Asia, and declared: "To realize this goal, we should achieve just democratic reforms and continue to pursue the Northern policy." He recounted his achievements in the implementation of the Northern policy.

He also stressed the need for boldly doing away with the old politics stained with self-righteousness and egotism, and for attaining new political perceptions and behavior. He said: "Thanks to the silent support of you, residents of my native place, I have been able to fight against the existing high wall without losing my courage." He significantly added: "I am prepared to devote myself to the good of the country and my native community with a correct perception of history and of our time."

Kim Pok-tong To Make Gala Entry to Politics From Taegu-East District

The two separate gatherings sponsored by Kim Pok-tong and Pak Chol-on are taken as the prelude to their rumored plans to run for the election from the Taegu electoral districts.

Last August Kim Yong-sam, representative member of the DLP Supreme Council, proposed a redistricting of electoral districts, and East, North, Susong, and Talsong districts in Taegu are among the districts to be affected if a plan for redistricting is adopted. Kim Pok-tong is said to have firmed up his plan to run from Taegu East District.

Kim had such a strong attachment to that district that he attempted to run from it in the 13th general election. At that time, he opened several campaign offices in East District and made more active preparations for the election than any other candidates; but he had to give up in the middle of his preparations because President No kept his relatives from running in the election.

However, Kim is reportedly seeking to make a gala entry into politics by running in the election from East District.

East District has a considerable political significance—it is President No's native place and incumbent National

Assembly Speaker Pak Chun-kyu comes from this district. As of now, there is no particular would-be opposition contender since Attorney Muk Hyo-sang moved to Uijongbu from East District following his defeat in the 13th general election. Muk had been elected twice to the National Assembly from that district before he was defeated.

Accordingly, as far as Kim is concerned, he is assured of certain victory.

He is keeping tabs, rather secretly, on the old campaign organizations he used during his preparations for the 13th general election. He keeps in contact with those former military officers who were members of the first ROTC graduating class at Kyongbuk University when he was an ROTC instructor in that school. On the assumption of redistricting, he has reportedly obtained an understanding from Speaker Pak Chun-kyu with regard to his intention to run from East District.

Originally, there was the rumor that Assemblyman Pak Chol-on had an eye on East District. But, knowing that Kim Pok-tong has a firm desire to run from this district, Pak is said not to be interested in this district because he "wants to avoid fighting among relatives."

Pak Chol-on "Likely To Run From Susong District"

On many occasions Assemblyman Pak Chol-on has expressed his desire to run in the next general election from the Taegu area, but has never singled out any particular district from which he wants to run.

Rather he takes the posture of trying to avoid any unnecessary controversy by saying to the people around him who are eager to know his intention: "There is still quite some time left."

Despite his reluctance to make his intention known, local political circles are betting that when Pak decides to run, he will run from Taegu.

Assemblyman Pak himself has shown his attachment to Susong District, in which his alma mater is located, in this indirect expression: "That is where my mother and many of my friends live."

However, the situation in Susong District is not so simple compared with other districts.

Assemblyman Yi Chi-ho, a DJP middleweight serving his third term in the National Assembly, is holding fast to that district, and Attorney Yo Tong-yong, chairman of the Democratic Party, has long expressed his desire to run for the election from it.

In addition, on the assumption that there will be a redistricting, ex-RDP [Reunification Democratic Party] Assemblyman Yun Yong-tak, who lost but ranked second after Assemblyman Yi Chi-ho in terms of the number of votes polled in the 13th general election, is claiming his local connection and his established interests in the district. Besides, Assemblymen Sin Chin-su of the NDRP [New Democratic Republican Party] wing of the DLP and Kim Hae-sok are also coveting an opportunity to run from that district.

All these would-be contenders are extremely on their guard against Pak Chol-on's appearance in Taegu and contemplating countermeasures, saying: "He must be thinking we are strawmen; he shall smart for it."

At any rate, from the two recent events in Taegu the plans of Kim Pok-tong and Pak Chol-on to enter Taegu to run for the next election seem to have moved into high gear. Their appearance on the stage foretells that the political typhoon generated by an internecine fight among TK members will sweep over Taegu, which has been a pro-government party town since the Third Republic,

The mercilessness of an internecine fight among TK members was illustrated by the duel between Mun Hui-kap and Chong Ho-yong in the last by-election in Taegu West-A District. At that time all of the four candidates who ran from West-A District were graduates of Kyongbuk High School and three of them fought a three-way fight after Chong Ho-yong withdrew.

"They must be thinking Taegu is an OK corral serving as a sparring ground for some of the Kyongbuk High School graduates." This sarcastic remark of a Taegu citizen strongly suggests that Taegu citizens see these politicians in not so favorable a light.

Brunei, Malaysia & Singapore

Malaysia

Government Reacts to Gulf War, Situation

Patrols Near Embassies Boosted

BK1601161791 Kuala Lumpur Domestic Service in Malay 1430 GMT 16 Jan 91

[Text] The city police have stepped up their patrols around foreign embassies involved in the Gulf crisis as a preventive measure to counter any untoward incident. However, the police believe that there would be no terrorist attacks on embassies of those countries which have their troops in Saudi Arabia.

Last week, city police Chief Datuk Henry Chin issued an order to increase patrolling around the embassies. Among the embassies involved are the embassies of the United States, Egypt, France, Saudi Arabia, Japan, and the British High Commission.

Minister on Attack on Iraq

BK1701071091 Kuala Lumpur International Service in English 0600 GMT 17 Jan 91

[Text] Diplomatic missions of ASEAN countries will work closely with one another to help look after the safety of ASEAN nationals in the Gulf. Malaysian Foreign Afffairs Minister Datuk Abu Hassan Omar said the missions involved are those especially in Saudi Arabia, Egypt, United Arab Emirates, Oman and Syria.

He said this to reporters after closing a meeting of the ASEAN planning committee in Kuala Lumpur today. Datuk Abu Hassan, who is the chairman of the planning committee, said ASEAN members are deeply saddened that the crisis could not be solved peacefully.

The Malaysian Government will monitor the progress of the war closely before taking any further decision regarding the safety of embassies staff.

Earlier in a speech, Datuk Abu Hassan said all countries will suffer under the belligerency and [word indistinct] of such [word indistinct] war. He said the price of victory for any side would [word indistinct] in terms of loss of human lives and desecration to ancient land.

Thai Foreign Minister Discusses Purchasing Oil

BK1601152791 Bangkok Domestic Service in Thai 1200 GMT 16 Jan 91

[Text] An official of the Thai Information Office in Kuala Lumpur reported early this evening that Foreign Minister Athit Urairat had arrived in Malaysia and held talks with his Malaysian counterpart on a purchase of an additional 20,000 barrels of oil per day at friendly prices in the event of war in the Middle East. The foreign minister says:

[Begin Athit recording] The Thai government and the prime minister have promised the Thai people that there will be no oil shortages. For this reason, I have asked Malaysia for cooperation because it is necessary for us to buy an additional 20,000 barrels of oil daily at friendly prices. The Malaysian foreign minister has agreed in principle that Malaysia will produce more oil in order to supply us with the desired amount.

There will be many new cooperation activities between our two countries. Next week an agreement will be signed on the establishment of joint cooperation for development of the border areas for oil supplies. It will be an historic bilateral agreement for any part of the world. [end recording]

Singapore

Government Supports Military Action Against Iraq

BK1701084991 Kuala Lumpur BERNAMA in English 0802 GMT 17 Jan 91

[Text] Singapore, Jan 17 (OANA-BERNAMA)—Singapore supports the military action taken by the multi-national force in the Gulf to drive Iraq out of occupied Kuwait in accordance with the United Nations Security Council resolutions, the Ministry of Foreign Affairs said Thursday.

It hopes that the action will quickly end unlawful Iraqi occupation of Kuwait and with minimal loss of life.

"The Singapore Government deeply regrets the failure of all the peace initiatives undertaken to implement the UN resolutions, including the mission undertaken personally by the secretary general," it added.

The ministry said in a statement that the international community could no longer do anything given Iraq's continued defiance of the UN resolutions.

The statement said: "Failure to implement the UN resolutions would have undermined respect for international law as well as the credibility of the United Nations.

"This would not be in the long-term interests of all nations, and especially small states like Singapore".

Cambodia

VOK Interviews Son Sann on Solution to Conflict

BK1701104891 (Clandestine) Voice of the Khmer in Cambodian 0430 GMT 17 Jan 91

[Interview with Son Sann, president of the Khmer People's National Liberation Front, prime minister of the Cambodian national government, and member of the Supreme National Council, by unidentified correspondent on problems related to Cambodian solution; place, date not given—recorded]

[Summary] [Correspondent] I have learned that the meeting of the Paris conference co-chairmen and the 12 members of the Supreme National Council [SNC] in Paris was successful, and since this is a step toward reaching a common solution to the Cambodian problem, could you please inform our compatriots of the future process of the SNC and the prospects for a solution?

[Son Sann] During the past few months, I went to many countries to seek ways to settle this Cambodian problem. When the five big powers met in France at the end of November, I was there in order to see how the solution would turn out. And on 21 and 22 this month [?December], the 12 SNC members from the Phnom Penh side, the Khmer Rouge, the prince [Sihanouk]'s side, and our front met. I think that the meeting was successful, although the Phnom Penh side still wants verification on some points. Thus, we hope that next month, January next year, there will be another meeting of the Coordinating Committee of the Paris International Conference on Cambodia [PICC] where we will discuss the details of the Cambodian solution. And if it was successful, soon after that there would be another PICC to be attended by all parties concerned. This time, the settlement might be successful. Thus, I am happy about it.

When we meet again in the future, I would like to ask all compatriots to agree with whatever is beneficial to Cambodia, to peace in Cambodia. When we achieve peace, I would like also to ask those who might be fortunate enough to be in charge of Cambodia's economy in the future to please place our compatriots' benefits above all else. You should rebuild Cambodia's economy from the grassroots level upward so that the poorer compatriots in outlying areas can enjoy a better life. By so doing, the benefits will go to the producers, that is, our Cambodian compatriots, and not the middlemen as in the past.

All I want now is for the war in Cambodia to end as soon as possible and for peace to quickly return to Cambodia.

"All compatriots will soon enjoy the right to vote freely. You should not be afraid of any party or anyone you do not like. You should vote only for whoever you like." You should judge for yourself those who want peace for Cambodia and those who do not want it. Those who do not want peace are not patriotic. They do not love you. So you can judge for yourself. You should tell all leaders either on the resistance's side or in Phnom Penh to end this war so that the big powers and other rich countries, including Japan, can come to help us rebuild our country. It is time to put an end to your misery that has lasted for years now.

Radio Supports Urgent Meeting of Conference Body

BK1701085591 (Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 16 Jan 91

[Station editorial: "The Cambodian National Resistance Forces Are Imbued With the Goodwill To Solve and End Vietnam's War of Aggression Most Quickly"]

[Text] On 14 January, leaders of the three Cambodian national resistance forces—His Excellency Son Sann, His Excellency Khieu Samphan, and Prince Norodom Ranariddh—addressed a joint letter to the cochairmen of the Paris conference—His Excellency Roland Dumas, French foreign minister; and His Excellency Ali Alatas, Indonesian foreign minister—proposing that the meeting of the Paris conference's coordinating committee be urgently convened in accordance with the 23 December Paris joint communique. This clearly shows the sincere goodwill of the three Cambodian national resistance forces to solve most quickly the Cambodian problem politically and comprehensively so that Cambodia regains peace and stability quickly.

Up to last December, the world has been making efforts and achieved a lot in pushing for a solution to the Cambodian problem. The five permanent members of the UN Security Council have worked out a framework document dated 28 August 1990 and, based on this framework document, drafted a comprehensive agreement on 26 November 1990. At the meeting between the four Cambodian parties and the Paris conference cochairmen on 21 and 23 December, everyone decided and agreed to convene soon a meeting of the Paris conference's coordinating committee to examine and adopt the draft agreement for the foreign ministers of 19 countries to sign at the plenary session of the Paris conference.

Therefore, the process to restore peace in Cambodia has nearly reached the end. The entire Cambodian people in and outside the country hope that Vietnam's war of aggression would be quickly resolved and ended. The world also wants Cambodia to regain peace quickly. However, the Hanoi Vietnamese enemy aggressors and their puppets and lackeys have insanely opposed this trend. They have carried out maneuvers and created all kinds of obstacles to hinder efforts to solve and end Vietnam's war of aggression in Cambodia politically, comprehensively, justly, and definitively. They have insulted the international community and slandered the latter's efforts to solve and end Vietnam's war of aggression in Cambodia are instead the so-called interference in internal affairs. They have opposed the five permanent members' document and opposed comprehensive control in Cambodia by the United Nations and the UN peacekeeping force.

On the battlefield of aggression in Cambodia, they have gathered their old and new troops, brought from Vietnam, to try to retake liberated zones from the Cambodian national resistance forces this dry season. The world has clearly realized the hideous face of the Vietnamese enemy aggressors and their puppets and lackeys. For 12 years, the Vietnamese enemy aggressors and their puppets and lackeys have never revealed their hideous face to the world like they do now. The entire world clearly realizes that the Vietnamese enemy aggressors and their puppets and lackeys are obstacles to solving and restoring peace in Cambodia and obstacles to peace, security, and stability in the entire region. The world has thus seen the hideous face of the Vietnamese enemy aggressors and their puppets and lackeys. This is why they have lately been confined to the five permanent members's document while the peace process has gradually moved forward step by step.

The Cambodian people in and outside the country support these efforts by the international community. The three Cambodian national resistance forces fully support the framework document and the 26 November draft agreement of the five permanent members and assist and support the Paris conference cochairmen and the five permanent members in pushing for a solution to end Vietnam's war of aggression in Cambodia quickly.

The Cambodian people and the Cambodian national resistance forces are of the opinion that the quick convening of the Paris conference's coordinating committee is another step forward in solving and ending Vietnam's war of aggression on the basis of the 28 August document and the 26 November draft agreement of the five permanent members.

Sihanouk on Phnom Penh's Rejection of UN Plan

BK1701073191 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT 16 Jan 91

[Text] On 13 January, Samdech Norodom Sihanouk, president of Cambodia and head of the Cambodian national resistance, released an article saying that the Hun Sen faction has used all tricks to scuttle the peace plan of the five permanent members of the UN Security Council.

The article notes: The Cambodian national resistance's support for and acceptance of the permanent five UN Security Council members' peace plan shows that the Cambodian national resistance unreservedly accepts the cease-fire and the regrouping and disarming of all factions. Now the question is how to persuade the Hun Sen faction into emulating the example of the Cambodian national resistance and fully accepting this peace plan.

The article goes on: The Hun Sen-Chea Sim-Heng Samrin faction pretends that the present Phnom Penh regime enjoys popular support. If this were the case, why then was the Phnom Penh regime afraid to let the Cambodian people hold elections within the framework of the general elections sponsored and controlled by the neutral and impartial United Nations? On the contrary, the Phnom Penh faction's rejection of general disarmament and truly free and democratic elections is proof that the Hun Sen-Chea Sim-Heng Samrin group is the only faction that is ready to abandon the Cambodian people and nation for its own interests and the interest of its clique, for personal ambition, and in the service of foreigners.

Indonesia

Government Reacts to Outbreak of War in Gulf

Suharto Expresses 'Deep Regret'

BK1701084391 Jakarta ANTARA in English 0716 GMT 17 Jan 91

[Text] Jakarta, Jan 17 (OANA/ANTARA)—President Suharto here Thursday expressed his deep regret over the break of the war in the Gulf, Minister/State Secretary Murdiono said.

Speaking to newsmen after reporting to the president about the break of the war in the Gulf with initial air attack by the multinational forces on Baghdad on earlier Thursday, the president expressed the hope that the war in the Gulf would end soon, because to let the war to go on endlessly it would claim a large number of victims among innocent people.

The president said that the war [word indistinct] against infrastructures and other economic facilities, according to Murdiono.

"If the war can be put to an end soon, its effect on the world economic would not so bad," the president was quoted as saying by Murdiono.

The minister also said that Indonesia was very interested in enhancing its exports of non-oil/gas commodities to the Middle East. If the war is still raging in that region, he went on, the country's exports of the commodities to the Middle East would be seriously affected.

President Suharto reminded that if the war in the Gulf could be ended soon, new steps should be taken to solve the Mideast problem, particularly the Palestinian issue, peacefully.

In the meantime, the Foreign Ministry also issued a statement regretting the break of the war in the Gulf region.

It is regretted that all efforts to avert war from breaking out in the Gulf region has come to a failure after the multinational forces led by the United States launched military attacks over Baghdad and Kuwait earlier Thursday, the statement said.

Indonesia has repeatedly appealed to both Iraq and the U.S. to avoid the war from breaking out because of the unimaginable human tragedy that might follow by such violations, the statement concluded.

Foreign Ministry Issues Statement

BK1701054491 Jakarta Domestic Service in Indonesian 0500 GMT 17 Jan 91

[Text] The Indonesian Government today voiced deep regret that the Gulf crisis could not finally be solved through a peaceful means.

A press statement issued by the Foreign Affairs Department in Jakarta today said that Indonesia deeply regrets the outbreak of armed conflict in the Gulf region. It says that armed conflict in the Gulf region will not only be disasterous to the countries directly involved in the conflict, but it will also negatively affect world stability and peace in general, as well as the national economy.

It is a pity that finally an act of force has to be implemented to solve the Gulf crisis even though the Indonesian Government had always hoped that the crisis could be resolved in a peaceful manner through negotiations.

Alatas Views Free Foreign Policy, Gulf Crisis

BK1601162191 Jakarta ANTARA in English 1017 GMT 16 Jan 91

[Text] New York, Jan 16 (OANA-ANTARA)—Indonesia has proved that the aid it receives from Western countries does not change its free and active foreign policy, Foreign Minister Ali Alatas said here Tuesday evening.

The Third World countries have noticed that the aid does not make Indonesia sacrifice its nonaligned ideals as, for example, it still maintains the position of condemning Israeli occupation of Arab territories, the foreign minister said during a dialogue with the Indonesian community here.

Receiving Western aid does not keep us from uttering our views that countries supporting Israeli policy are also guilty, he explained adding that Indonesia would also continue its fight against the apartheid regime in South Africa.

Such a good image, however, has also brought more challenges as many countries have asked Indonesia to increase its role in international politics, Minister Alatas said.

On the Gulf crisis which has been going on for more than four months, he said: Apparently, we have to be realistic now that peace efforts will be too difficult to be adopted.

However, even though the deadline has passed now, it does not necessarily mean that there will be an immediate war to force Iraq to pull out its troops from Kuwait, he said.

For Indonesia, a war in the Gulf will bring some negative impacts especially to its non-oil/gas exports although, to a certain degree, it may also result in benefits including the increasing price of oil.

Indonesia obviously is against the Iraqi invasion to Kuwait because it violates the spirit of the Bandung ten principles and the Nonaligned Movement (NAM) which always respect the sovereignty of a country like Kuwait. Nevertheless, he said, Indonesia is also worried about the presence of foreign troops in Saudi Arabia as in term of number they already exceed the necessary figure as a defensive force.

They look more like an offensive force now, he said.

Ministry Says Embassies in Baghdad, Kuwait Open

BK1701100391 Jakarta Domestic Service in Indonesian 0700 GMT 17 Jan 91

[Text] The Foreign Ministry has clarified that the Indonesian Embassies in Baghdad and Kuwait are still open. In Baghdad, four Iraqi staff members of the embassy are continuing their routine duties. Apart from this, three Indonesian students who are currently studying in Baghdad are in the Indonesian Embassy.

Meanwhile, the Indonesian Embassy in Kuwait will remain open to accommodate the needs of Indonesians who are living in Kuwait. Indonesian workers who are registered with the Indonesian Embassy in Kuwait will be sent home soon. According to the public relations officer of the Foreign Ministry, the Indonesian Embassy in Kuwait is still waiting for the arrival of an embassy staffer who is married to a Kuwaiti.

Departure of Delegation to Saudi Arabia Canceled

BK1601151591 Jakarta Domestic Service in Indonesian 1200 GMT 16 Jan 91

[Text] Indonesia has canceled the departure of a mission to the international Koran recital contest scheduled to begin in Mecca, Saudi Arabia on 19 January for security reasons if a Gulf war erupts. Speaking to newsmen in Jakarta today, Religious Affairs Minister Munawir Syadzali said that the government had decided to cancel the departure of the mission to the Mecca international Koran recital contest for security reasons and for the sake of the families of the members of the mission.

Touching on hajj management, the religious affairs minister said that the government had yet to decide to suspend hajj this year. If there is no war, Indonesia will send a team to Saudi Arabia in mid- February to observe the situation and simultaneously explore cooperation with Riyadh in hajj management.

Minister Munawir Syadzali said that as of 1430 West Indonesian time [0730 GMT] today, there had been no war despite signs of increased military movements in the region. The religious affairs minister called on all Indonesians to pray to God that there would no war in the Gulf.

Information Minister, PRC Envoy Meet 16 Jan

BK1701084791 Jakarta ANTARA in English 0724 GMT 17 Jan 91

[Text] Jakarta, Jan 17 (ANTARA)—Cooperation in the field of information between Indonesia [RI] and the

People's Republic of China would boost existing economic and trade relations between the two countries, Information Minister Harmoko said when he received PRC ambassador to Indonesia Qian Yongnian here on Wednesday.

Therefore, he went on to say, exchanges of visits of information personnel and journalists as well as cooperation between news agencies of both countries based on mutual respect for their respective systems, should be further enhanced.

Meanwhile the PRC ambassador, touching on Indonesian businessmen concern in connection with rumours saying that entrepreneurs from other countries considered the presence of Indonesian businessmen in PRC's business life as competition, said that in principle, China was open for trade with all countries.

"China welcomes all parties who desire to have trade relations with China. There are no limitations at all to do business in China," he added.

On still existing obstacles in RI-PRC trade ties, such as lack of information about government policies in the respective countries and the problem of import taxes, which needed immediate solutions, the ambassador said that they were still being processed.

According to the ambassador, a conference was held in Beijing in 1990 to discuss the problem of international trade obstacles, which was also attended by Indonesia, but so far he was still waiting for the result of that conference.

He further admitted that due to limited embassy personnel, the PRC Embassy in Jakarta would for the time being only issue service visa.

To get ordinary visit visa, interested parties should apply through Hong Kong, he added.

Businessmen Warned Against Competition in PRC

BK1501134991 Jakarta Domestic Service in Indonesian 1200 GMT 15 Jan 91

[Text] Junior Minister for Trade Sudrajat Jiwandono has reminded Indonesian businessmen who intend to conduct trade in the PRC to remain vigilant against a possible unhealthy competition. Speaking at a seminar on trade with China in Jakarta, Minister Sudrajat said that businessmen should remain vigilant despite the normalization of Indonesian-PRC relations because many countries had already established trade relations with China prior to the normalization. For this reason, Indonesian business circles are required to be more intelligent, innovative, and steadfast in exploiting opportunities, particularly efforts to enhance competitiveness. According to the minister, Indonesian-Chinese trade relations will be enhanced if the two sides have goodwill, mutual trust, and an open attitude.

Planning Minister Outlines Development Goals

BK1701051891 Jakarta ANTARA in English 0412 GMT 17 Jan 91

[Text] Jakarta, Jan 17 (OANA-ANTARA)—Indonesia, currently in its fifth five-year plan, has set for itself the ambitious goal of joining the newly industrialized countries in Asia in the not too distant future.

Indonesia, Minister of State for National Development Planning Saleh Afiff said in his remarks on the occasion of the 200th World Bank project in Indonesia here Wednesday, believed this is a challenging concept.

The World Bank approved on December 20, 1990, its 200th lending operation in Indonesia.

Indonesia will use the U.S.$221.7 million loan for a project that will help expand and modernize fertilizer production, save energy, and reduce pollution from fertilizer plants.

The commemoration was also linked to the present visit to Indonesia by World Bank Vice President for Operations Moeen A. Zureshi.

Saleh Afiff, who is also chairman of the National Development Planning Board (BAPPENAS), said further that Indonesia realized that careful national policies and sophisticated planning constituted a necessary foundation for realistic goal setting and project implementation.

The Indonesian Government saw the kind of self-sustaining development projected to begin during the next five-year plan as a complicated and subtle process that required extensive, progressive change in the economic and social infrastructure of the nation.

The preparation for this process, he added, entailed the acceleration of the structural transformation of the Indonesian economy.

Saleh Afiff further said that the complicated interrelationships among development goals are illustrated by the current priorities for industrial development

These priorities included the development of export-oriented industries to increase foreign exchange earnings, the deepening and strengthening of the industrial structure, and the expansion of the food crops industry as well as the promotion of the adoption of appropriate technology.

Also given priority are the development of small-scale industries to enhance business and employment opportunities, to achieve a more equitable distribution of income, and to accelerate economic growth in relatively underdeveloped areas.

In another part of his address, Saleh Afiff said the many distressing recent turns in world events, particularly the growing uncertainty concerning prospects for the world economy, provided ample evidence that Indonesia's path to its development goals will be an extremely challenging one.

Surmounting these challenges in the future will require continuation of the close working relations that Indonesia has enjoyed with the international community.

We will continue to look to the World Bank for assistance in many areas, and we hope that it will provide support in the future as it has in the past, he added.

2 Groups Brace for Fight for Spice Control

BK1401061291 Hong Kong AFP in English 0305 GMT 14 Jan 91

[By Endy Bayuni]

[Text] Jakarta, Jan 14 (AFP)—Two powerful Indonesian groups are now bracing for a long tug of war over the supply of clove, the spice which brought Spaniards, Portuguese and Dutch to fight for control of this archipelago centuries ago.

Tugging hard at one end of the rope is a group of producers of kreteks, clove-flavoured cigarettes. At the other is a consortium of private traders headed by President Suharto's youngest son, Hutomo Mandala Putera—popularly known as "Tommy."

A government ruling before the new year has escalated the two- year conflict between them to a new level, and the initial reaction of the kretek producers, the commodity's main buyers, suggests that the dispute could drag on for at least another year.

The government announced at the close of 1990 the formation of the Clove Support and Marketing Board (BPPC), headed by Tommy, which as of 1991 was given the monopoly to buy cloves from farmers and to sell them to the kretek makers.

"We will not be forced to buy from BPPC stocks," the Association of Kretek Producers (GAPPRI) said in a statement after its members met January 3 to discuss the ruling. "We have enough stocks to last for one year," GAPPRI Secretary General Djuffan was quoted as saying by the weekly magazine TEMPO.

The group has also turned down a seat on the board which includes representatives of the government, state cooperatives which oversee the interest of clove farmers, a state trading firm and the consortium under Tommy.

GAPPRI—comprising giant producers Gudang Garam, Jarum, Bentoel, Sampoerna and a host of smaller companies—is believed to have between 60,000 and 87,000 tonnes of cloves in stocks, enough to last for eight to 12 months.

The kretek makers admitted they would have to turn to the board once stocks ran out, but analysts said a long boycott could turn very costly for the consortium.

The BPPC, for their part, have already amassed some 65,000 tonnes of clove, bought mostly with bank credits. They are preparing to absorb another 100,000 tonnes—at an estimated cost of 800 billion rupiah (421 million dollars)—when smallholders begin to reap this year's harvest beginning next month.

Tommy reportedly has secured credits from various state and private national banks and could even turn to offshore loans to finance the purchases. But GAPPRI is not short of financial or political clout either.

The giant producers are among the country's largest taxpayers, putting in some 900 million dollars in excise revenue into the government's coffers each year. Altogether they provide livelihood for 3.5 million workers, from clove farmers, cigarette rollers and other factory workers, to traders and retailers.

Some, like Gudang Garam and Sampoerna, have successfully diversified their businesses to become conglomerates in their own right and are now listed on the Jakarta Stock Exchange. Gudang Garam and Jarum are the single largest employers in the cities where they have set up their plants.

The government has denied accusations that the formation of the BPPC was purely by Tommy's design, saying the regulation has plugged a loophole in a 1980 presidential decree designed to protect clove farmers from being exploited by traders and kretek manufacturers alike and to guarantee them fair prices.

The decree assigned the task, now in the hands of BPPC, to state-firm Kerta Niaga. But due to lack of funds, it has not been able to support the stipulated minimum price of 6,500 rupiah (3.4 dollars) a kilo to farmers, and at one stage prices fell as low as 4,500 rupiah (2.4 dollars).

Trade Minister Arifin Siregar, answering critics that the ruling was a step backward, reaffirmed the government's commitment to the spirit of deregulation but said that "from time to time we need to improve on old regulations."

The next likely point of contention in the dispute will be in setting the prices at which BPPC should pay farmers and sell to the kretek producers, something which the government hoped to decide ahead of the clove harvest.

GAPPRI, after its January 3 meeting, said its members would not pay more than 9,500 rupiah (five dollars) a kilogram based on the assumption that the price paid to farmers was 7,500 rupiah (3.9 dollars) and the rest would be to cover costs for cooperatives and traders.

Industry sources suspect the consortium of traders will make kretek makers bear the huge interest charges which they have had to pay for holding the stocks.

Threats in Aceh, Irian Jaya, East Timor Viewed

BK1501101191 Kuala Lumpur BERNAMA in English 0816 GMT 15 Jan 91

[Text] Jakarta, Jan 15 (OANA-BERNAMA)—Indonesia foresees no external threat for at least the next five years but is wary of internal developments related to political and security aspects, a senior Armed Forces official has said.

Air Marshal Teddy Rusdi, an assistant to the Armed Forces commander, Gen. Try Sutrisno, said that in politics, the country was bracing for next year's general election and the nomination of president for a fresh five-year term the following year.

On the security aspect, he said that separatist movements in the northernmost province of Aceh, easternmost province of Irian Jaya bordering Papua New Guinea, and former Portuguese colony Timor Timur [East Timor] would continue to attract the world's attention despite being termed as "purely an internal matter" by Indonesia.

"Threats, disturbances, constraints, and challenges are the typical handicaps that we have to overcome to stablilise the country ... It is some sort of historical inheritance we faced since we achieved independence (in 1945)," he said at a gathering of Jakarta- based foreign correspondents here Monday night.

He also blasted the foreign mass media for "exaggeration and distorted news" on separatist movements, saying they were either blown out of proportion or presented in a wrong perspective.

Pointing to the Aceh separatist movement, he said they were a small band of "bandits" who were moving behind Islamic and freedom slogans to exploit public hatred towards the authorities.

"These irresponsible persons know Acehnese are fiercely independent and very proud of their Islamic faith. Those people wanted to capitalise on these factors towards achieving their own end," he said.

The authorities have foiled a number of separatist movements in Aceh since independence before the last movement surfaced towards the middle of last year. The government said it was led by "criminals of about 20 to 30 members".

Commenting on rumours of the death of thousands of people as a result of the Armed Forces crackdown in the province, Rusdi said this was the clear case of exaggeration.

"How come the casualty can be that high if the group has merely 20 to 30 members. The ABRI (Armed Forces) has always been the target of (foreign) press criticisms. How about innocent civilians killed by those people?," he said in answer to persistent questions on the latest developments in Aceh.

Stressing that the situation there was under control, he said the Armed Forces had managed to curb the problem after separating the movements from the masses and exposing their irresponsible activities.

"The same goes to problems in Irian Jaya and Timor Timur. It is just a minor issue when the minority tried to push thir wishes on the majority.

"This is actually the main source of discontentment. Minority vs majority (in their own province) ... Unable to get it work, they blow the issue out of proportion," he added.

Turning to sociopolitical issues, Rusdi said Indonesia was entering a transitional period towards industrialisation which, he warned, would be very fluid.

He expressed the Armed Forces's commitments to ensure the smooth process of the period and upholding the values of its Pancasila ideology, the 1945 Constitution and national identity.

"Despite the progress we achieved from the last 25 years, we acknowledged there are still shortcomings such as social gaps, land issues, unemployment, racial, religious, and ethnic issues," he said.

Laos

KPL Reports Beginning of War Against Iraq

BK1701104691 Vientiane KPL in English 0923 GMT 17 Jan 91

[Text] Vientiane, Jan 17 (KPL)—The U.S. air forces today morning at 7 o'clock (3 o'clock local time in Baghdad) launched the first air raids on the Iraqi capital, Baghdad, announced today morning BBC radio.

The announcement was followed by a declaration of President George Bush transmitted through American radio. President Bush has confirmed that the U.S. air forces have launched the first air raids very early this morning on all the Iraqi targets, considered as strategic line nuclear, chemical means and other armaments as well as the installation of telecommunication.

The U.S. President has declared that the starting war is not only a war against Iraq, but also a war for the liberation of Kuwait. He has also indicated that a new global order would not be freed of this conflict and that means any country must be placed under any UN resolutions.

A correspondent of BBC in Baghdad reported at 9 o'clock this morning that great fires have flared up in Baghdad following the air raids. There are indications which reveal that the royal air forces of Britain were involved in these raids.

On the other hand, BBC announced at 9 o'clock that a relatively calm climate was seen in the Saudi capital Riyadh as well as in Jerusalem.

Supreme Assembly Chairman To Visit PRC 'Soon'

BK1701132691 Vientiane Domestic Service in Lao 1200 GMT 17 Jan 91

[Text] In response to an invitation of the Standing Committee of the National People's Congress [NPC] of the PRC, a delegation of the Supreme People's Assembly [SPA] of the Lao People's Democratic Republic [LPDR] led by Comrade Nouhak Phoumsavan, Political Bureau member of the Lao People's Revolutionary Party Central Committee and chairman of the SPA of the LPDR, will pay a friendship visit to the PRC soon.

During the visit, the SPA delegation of the LPDR will meet and hold consultations with Comrade Wan Li, chairman of the NPC Standing Committee; Comrade Yang Shangkun, president of the Republic; Comrade Li Peng, premier; and other Chinese leaders in Beijing as well as in Guangzhou, Shenzhen, and Kunming cities.

Accords on Investments Signed With U.S. Firms

BK1701122491 Vientiane KPL in English 0911 GMT 17 Jan 91

[Text] Vientiane, Jan 17 (KPL)—Two American companies, the Shlapak and the Bonneville Pacific Corporation, will invest in the survey and construction of hydropower stations in the central and southern parts of Laos. The Shlapak alone will also invest in additional survey of oil and natural gas in Vientiane, Sayaboury and Khammouane.

Agreements on the investments were signed here yesterday between Lao Minister of External Economic Relations Phao Bounnaphon, who is also vice-chairman of the Committee for Investment Management, and President Milton W. Shlapak of the Shlapak, and Lwynn Johnson, director of the Bonneville Pacific Corporation.

Witnessing the signing of the agreements were some senior officials of Laos and American including the U.S. Charge d'Affaires to Laos, Mr Salmon.

Feature Says More 'Misled' People Return Home

BK1701050691 Vientiane Domestic Service in Lao 0430 GMT 16 Jan 91

[Feature by Chantai Phimmachan: "Returning Home Is better Than Staying With the Bandits"]

[Text] During the past few years, a small number of people, lured by bad elements in foreign countries, fled to join the enemy commandoes in the jungle with a hope for a better life and power. They simply thought that by so doing they could live comfortably without having to work. However, they were eventually disappointed. A number of able men and people of the Hmong tribe were armed and organized into commando units and sent back home by the reactionary exiles to fight against the revolutionary administration and their own people. They gained nothing for themselves or the country. On the contrary, they were left to face starvation, fear, and public condemnation. They had to live in isolation and hide themselves in the jungle with not enough rice to eat, clothes to wear, nor medicine to heal their ailments. Being aware of the plight of the fraternal people who were misled by bad elements, the party and state, during the past few years, have been dispatching cadres to explain to the multiethnic people at the grassroots their correct and fair policies.

Subsequently, in 1989 a number of fraternal people of the Hmong tribe in Hom and Saisomboun Districts, Vientiane Province, decided to return home to join the local compatriots in developing their localities. As many as 50 people in (Phangon) and (Samphiang) were forced by the chieftains to join the commandoes in the jungle. On 11 December 1990, a former colonel of the reactionary armed forces together with his subordinates and their families, altogether 49 persons, fled the bad elements and surrendered to the local administration in Bolikhamsai Province after having suffered from living in the jungle and serving the deceptive schemes of the imperialists and Lao reactionary exiles for over a decade.

Upon their return, the misled compatriots received warm reception organized by administrations in many localities. Many of them are elderly people, women, and children. But all of them are thin, sick, and undernourished as a result of food deficiency. Leeches and mosquitos in the jungle sucked their blood everyday. Children were naked and looked dirty. They posessed nothing upon their return home, which is the complete opposite of the promise for a comfortable life according to the propaganda of the bad elements. For this reason, the Lao Loum and Hmong fraternal people, who were once misled by the reactionaries, regret that they were deceived to leave their happy home just to serve the reactionaries. Cadres in charge of grass-roots development in the area revealed that the misled people are ordinary people and former soldiers of Vang Pao under the old regime. The majority are ordinary people.

After national liberation, they were herded away to live with the chieftains. Men were forced to join the commandoes. A misled person said that he was happy and deeply grateful to the revolutionary administration and fraternal compatriots and appreciates the correct and fair policies pursued by party and government. In this connection, the Lao People's Democratic Republic has been implementing a humanitarian policy by giving amnesty to the misled people and providing material assistance to enable them to make their living normal.

The people, who were once misled by bad elements, have pledged that they will never listen to the adversaries' deceptive propaganda. They have expressed their readiness to turn themselves into good citizens of the country. They call on other misled compatriots of both Lao Loum and Hmong tribes who are still working for bad elements against the new regime to quickly return home because the party and state are ready to forgive everyone who sincerely wants to be a good citizen. Our correspondents were informed that the people, who have returned home, are now enthusiastically engaging in agricultural production and animal husbandry as the local adminstrations are providing them assistance and creating favorable conditions for them to live a normal life in accordance with the national reconciliation policy adopted by our party and state.

Forestry Concession in Vientiane To Be Amended

BK1601123291 Vientiane KPL in English 0901 GMT 16 Jan 91

[Text] Vientiane, Jan 16 (KPL)—The Agriculture and Forestry Service of Vientiane Province, on January 11 convened a meeting of owners of state-run and private saw mills and representatives of 14 forestry business companies. Vientiane Province this year plans to make amendments to forestry concessions and to put an end to the compromise allocation of timber for housing construction. This central province, over the previous years, has faced with arbitrary and unorganised logging and opportunist acts of some bad elements.

In furtherance of the suggestions of the governor of Vientiane Province and of the Ministry of Agriculture-Forestry, the Forestry Management and Protection Organisation in mid December was authorised to control the operation of forestry business in that locality. Since then, the organisation has made inspections of illegal tree felling and issued an order to completely end the operation of local small saw mills in accordance with the regulations of the new management.

Through the practical inspections and exchange of views, the meeting worked out regulations on forestry concessions viewed as an urgent problem to be tackled. Still, the meeting unanimously agreed that no more permission be made to requests for wood extraction for housing construction. The meeting also dealt with the bad consequences of forestry destruction badly harmful to the environment for the time being and in the future.

In realizing the necessity, the forestry companies were demanded to re-set their quotas in logging in compliance with the quota provided by the Council of Ministers to the Vientiane Province. 20,000 cubic metres of wood extraction is offered to this province, including 15,000 cubic metres of new felling and 5,000 of already felled wood.

Philippines

Government Reacts to Action Against Iraq

Aquino Declares Support

HK1701064991 Quezon City Radyo ng Bayan in Tagalog 0605 GMT 17 Jan 91

[Statement to the nation by President Corazon C. Aquino supporting the UN resolutions on the Middle East crisis—live from Malacanang's Kalayaan Hall; in English]

[Text] My beloved countrymen:

Following the same moral course we took in our own recent history, the UN-authorized enforcement action in the Gulf takes place after all efforts for peace had failed.

The Philippines reiterates its adherence to and support for the United Nations' resolutions on this crisis. The Philippine Government supports without reservation the action of the coalition forces led by the United States. We note with approval and relief the stress made by President Bush that the goal of the military action is not the conquest of Iraq, but the liberation of Kuwait to the end that both states may soon, once more, stand in peace among the family of nations. Thus, even as peaceful solutions yield for now to the use of force, we continue to look beyond the conflict to a possible lasting peace.

The Philippines has articulated this position of support and expression of hope in the best way it could by sending a medical mission to Saudi Arabia to help out, however modestly, in the efforts to restore peace.

Since our new birth of freedom in 1986, we as a nation was subjected to varying degrees of trials and travails, both natural and man-made. In all those times, we faced them squarely and prevailed. In the present crisis, I call upon all to do no less. The Gulf action will undeniably put our economy to a severe test and our people to a great challenge. But I have never lost faith in the Filipino. I have always believed in his capacity to endure, and in his ability to innovate and in his willingness to sacrifice.

At this crucial moment in our nation's history, I ask every Filipino to keep calm and rest assured that we have enough of the necessities to tide us over this crisis. There is no reason to fear nor cause for panic. The police and military authorities are ready to maintain peace and security throughout the land, and the various departments have been directed to implement the respective contingency action plans. The Department of Foreign Affairs [DFA] and the Department of Labor and Employment have been coordinating with the governments of the Middle East countries for some time now, in the matter of the evacuation of Filipinos there to safer places. In fact, Secretary Ruben Torres of the Department of Labor and Employment and Undersecretary Pablo Suarez of the DFA are still in the Middle East looking after the needs of our workers in collaboration with our ambassadors.

Your government has prepared itself for any and all eventualities and will continue to be so prepared. Nonetheless, I call on the private sector to join hands and help the government in this endeavor. This test we face as one nation and people, and together, we must conquer. For what glory is sweeter than that which we all took part in and lifted a burden together? The initial response of the private sector in the multi-sectoral dialogue that I instructed Secretary Orbos to initiate is most gratifying and inspiring. I hope to continue seeing the private sector and the government work hand in hand. I've instructed the Department of Foreign Affairs and our embassies abroad to keep us posted on the fast-breaking developments. I have further instructed the press secretary to make the necessary update bulletins on radio and television network. Please tune in regulary and remain calm. Let us make this crisis a challenge and this trial a triumph. Let us continue praying to the Lord so that we may attain peace in just a short time. [preceding sentence in Tagalog]

Evacuation Procedures Ready

HK1701053191 Quezon City Radyo ng Bayan in Tagalog 0030 GMT 17 Jan 91

[Message by Philippine Labor Secretary Ruben Torres—live from Dubai; italicized passages in English]

[Excerpt] Good morning to all of our listeners. We are now here in Dubai in the Middle East and I have just coordinated with our labor officials from Riyadh, Al Khubar, and Jeddah. *The situation in these areas still is under control. In Jeddah, the workers are now being attended to, and the movements from the eastern province are expected to start.*

There are no untoward incidents, no retaliation, and no trouble in the eastern province. We instructed our labor officials and embassy officials that *starting now, they should really go out and get the workers together, so that evacuation can be effected at any time today.* Their *identified evacuation areas are farther from the areas in conflict*, which in the estimate of the Saudi Government itself will not be reached by the *fire power* of Iran [as heard]. In Riyadh, signals have been given to the people from the central region to prepare for any eventuality as a result of the on-going attacks of the U.S. and multinational forces inside Iraq.

In Abu Dhabi, it will just be 0700 and we have been monitoring the situation in Saudi Arabia. It is very difficult now to make contacts *but we get regular calls from our officials in Al Khubar and also in Riyadh on a regular basis, or every hour. We are now monitoring the situation there. Some workers have been able to read the news from Jeddah and also from Riyadh, as reported by us last night.* But today, there seems to be no *mass movement* yet of our workers. Although in their actual places of work, preparations have been undertaken *and any time today, they will be moving out on the signal of the Saudi Government.*

Everything here in Dubai is calm. *We shall be reporting from time to time on developments as we gather them from our forces here in Dubai.* [passage omitted]

Officials View Effects

HK1701023391 Manila PHILIPPINES NEWSDAY in English 17 Jan 91 pp 1, 2

[Excerpts] **Central Bank Governor Jose L. Cuisia Jr.**: "I do not understand why people should panic about the Gulf war. The Middle East is very far from here. And even with a war breaking out, the country's loan negotiations would still continue. I do not see the International Monetary Fund standby agreement being affected by the happenings in the Middle East if it's a two- to three-week war. It is only here in our country where there is an overconcern about the Gulf war, among the other Association of Southeast Asian Nations members."

Senator Joseph Estrada: "It would be difficult to expect the people to help when the administration itself does not seem to know what it wants to do or how it plans to cope with the crisis. I believe that the Filipinos will unite if only the government would lead the way, but first, the administration must get its act together."

Mayor Richard J. Gordon of Olongapo City: "Iraq is 10,000 miles away, Iraq is not going to attack the Philippines. We are not at war with the Iraqis.

"Our problems are our old problems: we are not producing enough, the government has not been delivering the goods, there are times when we do not know where the government is going, and there is the widening credibility gap of the government, dramatized by contradicting statements on food and oil supplies.

"Whether we will have a long war or a short war in the Gulf, we are going to have these problems. We are in big, big rut right now. So what we need, in order to go beyond this crisis in confidence, is a renewal of our spirit, the renewal of our Filipinism, to get together and say: All right, the problems are there, let's find out the solutions. In other words, it should not be just doom and gloom, but bloom." [passage omitted]

Senator Aquilino Pimentel: "(There will be) terrible economic dislocations, labor unrest, and agitation to violence."

Senate Minority Leader Juan Ponce Enrile: "Our problem is not really the Middle East war, although that has an aggravating effect on us. Our problem is our bankrupt economy. We have no money to provide ourselves with adequate supply of petroleum crude. We can buy all the crude supplies we need if we have the foreign exchange to do so. Unfortunately, our United States dollar resources are very limited and inadequate to respond effectively with what is needed to most our requirements. This is really our problem; not the Middle East war."

Senator Ernesto Maceda: "More hardship because we will have less export markets, we will have less foreign assistance immediately available and our dollar rate will deteriorate further."

Senator Orlando Mercado: "Even without a shooting war, our economy has already been in a precarious state. The regime of high prices, high interest rates, foreign exchange scarcity, unwieldy budgetary deficits, and unemployment will be with us for the greater part of 1991."

Representative Jose de Venecia (LDP [Liberal Democratic Party], Pangasinan), chairman of House Committee on Foreign Affairs: "There will be a psychological effect but no real effect because the war is 7,500 kilometers away. The psychological effect will be in the prices (of goods) and the fears of Filipinos here with relatives in the Middle East. We still have an enormous supply of oil and the government has assured that there will be no increase in prices of oil for 60 to 90 days."

Representative Raul Daza (LP [Liberal Party], Northern Samar), head of LP members in the House: "I think the impact on our country will be unimaginable. There could be a chain of events that might be difficult to control. I only hope that the contingency plans would come into place. The bottom line is there must be national unity in the face of a profound crisis that will be brought about by the shooting war."

Enrico de la Cruz, College Editors Guild of the Philippines: "Definitely, there will be massive lay-offs as a result of a cutdown in energy supply. Prices of commodities may also rise, especially if there will be hoarding of products. But what I fear most is the possibility of Iraqi bombs exploding on our own shores because of the presence of US military bases in Angeles City and Olongapo." [passage omitted]

Red Army Members Reportedly Meet With Saddam

OW1601135191 Tokyo KYODO in English 1334 GMT 16 Jan 91

[Text] Manila, Jan. 16 KYODO—Filipino officials said Wednesday eight Japanese nationals suspected to be members of the Japanese Red Army met Iraqi President Saddam Husayn to pledge their support for him.

The disclosure came after Philippine officials stepped up security measures at Manila Airport, foreign embassies, and villages where most expatriates reside to combat possible attacks by pro-Iraqi foreign terrorists.

Immigration Bureau Chief Andrea Domingo said the whereabouts of the eight Japanese have not been monitored since their meeting with Husayn and they are feared to have been deployed for attacks overseas.

Details of the reported meeting with Husayn were not immediately known.

Meanwhile, Foreign Affairs Undersecretary Manuel Yan said the suspects were using the following Japanese names: Takeshi Urasawa, Emiko Oshima, Miyuki Kubo, Koichi Kubo, Noriko Fujii, Ken Adachi, Fusako Hiramatsu, and Toshihiko Kamitatsuno.

A senior Defense Department official earlier told KYODO NEWS SERVICE that the Japanese Embassy has received threats from an unidentified group opposed to Japan's involvement in the Gulf.

A ranking Japanese Embassy official who refused to be named said an attache received a call a few days ago from an unidentified man who warned the embassy staff face attacks due to Japan's support of the multinational forces pitted against Iraq.

Defense Secretary Fidel Ramos said in another press briefing that representatives of the local communist movement promised to support Iraq by targeting foreign nationals whose governments actively support the U.S.-led military alliance.

Antiterrorist squads have been formed to conduct intelligence work and to respond to any terrorist threats to embassies and personnel, Defense Undersecretary Eduardo Ermita said.

He said the special teams were also assigned to monitor foreign nationals from countries included in the multinational force in the Gulf, and to tighten security at airports and entry points to the country.

Reports from Washington indicated that Manila is one of four Asian airports which may be subjected to terrorist attack.

But Ermita said the government was confident international terrorists would have a difficult time entering the country in view of the strict security measures.

Included in the countries closely involved in the Middle East crisis which maintain embassies and consulates in Manila are the United States, Israel, Britain, Japan, Australia, New Zealand, France, Saudi Arabia, Egypt, and other Arab countries.

Two Senators Oppose Taiwan Relations Bill

HK1501043991 Manila PHILIPPINES NEWSDAY in English 15 Jan 91 p 3

[By Jose H. Macaspac III]

[Text] The move in the Senate to expand Philippine relations with Taiwan suffered a serious setback yesterday as two senators opposed proposals to provide Taiwanese businessmen with special legislation to protect them when doing business in the country.

Senators Aquilino Pimentel Jr. and Mamintal Tamano, during the hearing of the Senate foreign relations committee now studying two bills that would enhance RP [Republic of the Philippines]—Taiwan trade relations, took turns in belittling the proposal to grant Taiwanese businessmen preferential treatment.

Pimentel said this is violative of the One-China policy being observed by the Philippines. This would not be accepted by Mainland China and could jeopardize Philippine diplomatic ties with it, he added.

Pimentel also stressed that current laws adequately protects any foreign businessmen.

"There is no need to enact special laws for the Taiwanese since our laws do not discriminate," Pimentel said.

But trade officials maintained that Taiwanese businessmen are still apprehensive about the stability in the Philippines.

The officials said that the businessmen would not invest into the country unless substantial guarantees on their safety and the profitability of their investments are provided by the Philippine government.

Two bills were filed separately by Senators Leticia Shahani, foreign affairs committee chairman, and Heherson Alvarez that seeks wider economic relations with countries, including Taiwan with which the Philippines do as not have diplomatic relations.

The two measures were seen as part of the government moves to attract Taiwanese investors into the country.

During the hearing, Alvarez asked that discussions on key issues be made in executive sessions because these might be construed as violation of the One-China policy.

He said there were sensitive issues which are better kept among the committee members.

Negotiations To Reschedule Debt To Begin

HK1601044091 Manila BUSINESS WORLD in English 16 Jan 91 p 2

[By Ma. Gertrudes M. Chavez]

[Text] Monetary authorities will start negotiating for the rescheduling of some $500 million in debt owed by the Philippines to the Paris Club, an informal assembly of states with whom the country has outstanding obligations. the proposed accord would then be the fourth round of Paris Club debt rescheduling agreements.

This was disclosed to reporters yesterday by Congressman Margarito Teves, a member of the Joint Executive Legislative Foreign Debt Council. The amount owed to the Paris Club of 14 creditor governments falls under the so-called "goodwill clause" and has maturities falling between July 1, 1991 and June 30, 1992.

The goodwill clause provides that negotiations for further debt rescheduling will be undertaken after the country's economic program outlined in the memorandum of economic policy (MEP) shall have been approved by the International Monetary Fund.

The program involves a package of economic reforms ranging from import tariffs and quotas, fiscal incentives, tax and non-tax revenues.

The IMF "seal of good housekeeping" is very important to the Paris Club, said Mr. Teves.

It will also likely be a prerequisite to any new financing and rescheduling packages from other creditor banks and institutions.

This indicates that if the IMF has determined that a member-country is a good enough credit risk to sink additional money into, then the other lenders feel reasonably assured that they can continue dealing with a particular borrower.

The reason for this is that the IMF is said to have the manpower and the tools to work out a program with the member-countries seeking a loan. The IMF cannot just work out a program but it can chart policies that can insure that the borrower can sustain a rate of growth enough to meet payments.

The country's 14 creditors have so far only agreed to restructure $1.6 billion of the $2.3 billion maturing loans covered in the third round of Paris Club negotiations.

The last bilateral agreement under this specific accord was completed during the fourth quarter last year and involved the signing of a pact with Japan involving some $781 million in obligations owed to the Overseas Economic Cooperation Fund (OECF), the Japan Export-Import bank, and the Japanese Ministry of International Trade and Industry.

Thus total debts rescheduled amounted to $1.6 billion under the third round, covering $422.67 million in consolidated arrears and $1.154 billion aggregate principal and interest payments.

Central Bank Chief Says Most IMF Targets Met

HK1401035791 Manila BUSINESS WORLD in English 14 Jan 91 pp 1, 6

[By Ma. Gertrudes M. Chavez]

[Text] Discussions with the International Monetary Fund (IMF) this week for the release of a $700-million loan are expected to kick off on a positive note with Government meeting most of its targets.

Central Bank [CB] Governor Jose Cuisia, Jr. said last Friday reserve money (RM) in the financial Government has successfully mopped up excess liquidity in the system. Reserve money is a measure of liquidity, consisting of total cash in circulation plus cash deposits of banks with the CB.

Mr. Cuisia was not specific as to the exact amount of money supply in the system, outside of saying that the RM figure "hit P [peso] 111 billion but below P116 billion."

The RM ceiling was adjusted to P116 billion from P111 billion as a consequence of the two-percentage point hike in reserve requirement ratio to 25%. The increase was one of the reasons cited by Mr. Cuisia Government has met the new money supply target, with reserves contributing about P4.8 billion.

The rationale for the increase in reserve ratio was a perception of excess liquidity in the financial system. End-November figures show RM hitting P105.5 billion. This was P17 billion over the previous target of P88.5

billion for that month despite the CB's earlier move to raise the reserve ratio to 23% from 21%.

Failure to meet November's target has prompted Government to raise anew the RM ceiling to P111 billion, said to be one of the revised targets contained in the economic stabilization program discussed with the IMF.

Excess liquidity has been pinpointed by bankers to be with government banks and not private banks. Xavier Loinaz, president of the Bankers Association of the Philippines, claimed that total peso deposits in private banks were not growing as fast as those in government banks. Specifically, peso deposits of the commercial banking industry grew by only 19% during the first three quarters of 1990.

In contrast, he said peso deposits of government banks—Philippine national bank said Land Bank of the Philippines—increased 45% during the same period.

This assertion sharply deviates from a claim by a government official that most government banks are suffering from liquidity problems.

Another plus factor to forthcoming IMF talks is the enactment into law of the 9% import levy, a prerequisite to the granting of the $700-million IMF loan. Observers say this is a substantial compliance with the IMF imposition of cuts in the P55 billion consolidated public sector deficit.

The IMF had originally asked for a 5% increase in import levy, on top of other revenue measures. But Congress was only able to pass one tax measure—additional charges on forestry products.

The 9% import charge is expected to generate P18 billion in revenues and is meant to make for proposed tax measures which Congress failed to enact during its special session last month.

But monetary authorities had made it clear that the import levy is only a temporary measure which would be gradually reduced by one percentage point for every additional P2.6 billion generated by Government through other measures.

The new IMF program is expcted to be approved by February and the first tranche of new money forthcoming by March.

Finance Secretary 'Optimistic' of Loan Approval

HK1401040191 Manila BUSINESS WORLD in English 14 Jan 91 pp 1, 6

[By Ma. Gertrudes M. Chavez]

[Text] Finance Secretary Jesus P. Estanislao said he is optimistic that the country's economic stabilization program will obtain approval from the International Monetary Fund's Board of Directors by mid-February.

Speaking at last Saturday's Philippine Futuristics Society forum on the Middle East crisis, Mr Estanislao said talks with a visiting IMF mission are going well and he doesn't expect any problem to occur as talks progress this week.

He disclosed that during his recent trip to Italy and Germany, the two European governments agreed to support the country's stabilization program.

They will thus instruct their representatives at the IMF in Washington, DC to vote in favor of the Philippine program when it is discussed and deliberated upon by the IMF Board.

The Finance chief said the two countries will also provide support to the country during the second Philippine Assistance Program [PAP] pledging session scheduled for February 24-26 in Hong Kong, although he did not mention any specific amounts.

During first PAP pledging session, the country obtained $3.5 billion worth of loan commitments from international donors.

Mr Estanislao said a Letter of Intent [LOI] that details the stablization program is now being worked out together with the visiting IMF team.

The LOI will then be presneted to the IMF Board by mid-February for its consideration.

He said the LOI, which will not require a new Memorandum on Economic Policy, will focus on three topics:

The country's oil pricing policy and its commitment to maintain realistic oil prices;

how Government will reduce its combined fiscal deficits from 5.2% of Gross National Product to 3.5% this year through a combination of expenditure cuts and new revenue measures; and

policy thrusts with regard to the liberalization of trade and foreign investment regulations.

Approval from the IMF of the LOI and the country's stabilization program will ease the short-term uncertainty pervading the Philippine economy triggering the release of roughly $700 million in multilateral, bilateral and commercial loans crucial for balance-of- payments support.

From the IMF itself, the country is expecting between $600-700 million in loans over the 18-month course of the stabilization program.

Aquino Reduces Cabinet to 21 Members

HK1501035191 Manila THE MANILA CHRONICLE in English 15 Jan 91 p 9

[By Lito Zulueta]

[Text] President Aquino reduced her Cabinet yesterday from 35 members to 21 by downgrading the ranks of all presidential advisers and assistants.

Those stripped of their Cabinet posts included presidential spokesman Adolfo Azcuna, national security adviser Rafael Ileto and presidential coordinating secretary for Finance Vicente Jayme.

Under the reorganization scheme, Press Secretary Tomas Gomez said only the heads of executive departments who must undergo confirmation by the commission on appointments will compose the President's Cabinet.

The presidential advisers will continue in their offices but will have to coordinate with the office of Executive Secretary Oscar Orbos in providing staff support to the president and attend Cabinet meetings at Mrs. Aquino's request.

Meanwhile, Malacanang sources said that Orbos had asked Budget Undersecretary Benjamin Diokno to become deputy executive secretary.

But sources said Diokno was still considering the offer.

The reorganization plan as recommended by Orbos abolishes the presidential coordinating secretary system. That being the case, Jayme lost his Cabinet post. Jose de Jesus, presidential coordinating secretary for human resources and welfare, was earlier named public works secretary to replace Florello Estuar.

The leaner setup in Malacanang also integrates the Cabinet secretaries, headed by Aniceto Sobrepena, with the presidential management staff [PMS], headed by Elfren Cruz.

Thus, Sobrepena loses his Cabinet post. Cruz had earlier offered to resign and sources said it had been accepted by Mrs. Aquino.

Sources disclosed that transportation undersecretary Herminio Coloma would be replacing Cruz as PMS director.

Gomez said the reorganization would result in minimal savings. "The cost-cutting aspects of the moves are minimal compared to the streamlining and effectiveness that will be brought about," he said.

Orbos for his part said: "The important objective is to simplify and to strengthen the office of the president as the command and coordinating center of government."

Aside from Ileto, Azcuna, Jayme, Sobrepena and Cruz, those who lost their Cabinet ranking were Edilberto de Jesus, Teodoro Katigbak, Magdangal Elma, Wenceslao dela Paz, Alfredo Lim, Zefiro Respicio, Flerida Ruth Romero, Mariano Adalem and Jose Ayala.

Orbos also directed all heads of national and local government offices to submit to the budget department their staff lists to pave the way for the 10% reduction of personnel by yearend.

Thailand

Prime Minister Reacts to Outbreak of Gulf War

Gives Statement

BK1701053991 Bangkok Army Television Channel 7 in Thai 0520 GMT 17 Jan 91

[Text] At a news briefing at Government House this morning, Prime Minister General Chatchai Chunhawan told Thais not to be panic even though war has erupted in the Middle East, because there would not be any threat to Thailand. The government had earlier stated that the war would not cause an oil shortage in Thailand and would not affect the prices of consumer goods.

But the prime minister asked Thais to be prepared for possible problems resulting from the war. He urged Thais to economize on oil consumption and electricity usage.

Meets U.S. Envoy, Supports UN

BK1701072491 Bangkok Domestic Service in Thai 0530 GMT 17 Jan 91

[Text] At 0930 today at Government House, U.S. Ambassador to Thailand Daniel O'Donohue called on Prime Minister General Chatchai Chunhawan. After the meeting, the ambassador told reporters that he met the prime minister to inform him of the predawn operations of the United Nations forces against Iraq today in compliance with the United Nations resolution and to thank Thailand for agreeing with and supporting the UN resolution.

On the same occasion, Chatchai said Thailand will support the operations of the UN forces currently being carried out in Saudi Arabia, Iraq, and Kuwait. He also informed the U.S. envoy that Thai workers in these countries would also be able to support the United Nations through various types of work. Apart from this, Chatchai said Thailand has already sent medical teams totalling 50 people to provide assistance to operations in Saudi Arabia and also is coordinating with the Thai Red Cross Society to send its officials to the Middle East immediately following the request.

Asked if the UN force has asked for a supporting force from Thailand, the prime minister said the UN force has not made such a request, because it would be more convenient for them to request forces from Europe.

Army Chief Talks on Gulf War, Southern Thailand

BK1601162591 Bangkok Domestic Service in Thai 1200 GMT 16 Jan 91

[Text] Army Commander in Chief General Suchinda Khraprayun granted an interview at the 6th Wing Command this morning concerning the situation in the Middle East.

Asked whether he thinks there would be a war, Gen. Suchinda said no one can tell except President Saddam Husayn. Asked about any concern for Thailand in case of a war, he said the military has nothing to do with it because it is outside the country and Thailand is not a party in the war. The effects on Thailand, he said, would concern only oil and food prices. He said that the military would be affected by the situation only in terms of training. Asked about a report on the use of Thailand's U-taphao naval base as a refuelling station, the Army chief said that he knew nothing about the plan, as it is the concern of the Navy and the Air Force.

Asked about the situation in the south of Thailand, the Army chief said that the situation in the south is nothing to worry about.

Foreign Minister Supports Malaysia's Trading Bloc

BK1701033191 Bangkok THE NATION in English 17 Jan 91 p A4

[By Kulachada Chaiphiphat]

[Text] Kuala Lumpur—Foreign Minister Athit Urairat said yesterday Thailand supported Malaysia's initiative in forming an East Asia economic grouping as the mechanism would give ASEAN a greater say in international economic forum.

Athit spoke with the press after meeting with his Malaysian counterpart, Abu Hassan Omar, during which he was briefed on the concept of the initiative.

Athit stressed that the grouping should not be a closed trading bloc, nor should it diminish ASEAN, or overlap with APEC (Asia-Pacific Economic Cooperation) and it should be consistent with GATT's rules and principles.

Athit said, however, that the initiative needed to be further discussed among ASEAN members to ensure its feasibility.

Athit said the Malaysian initiative is expected to be raised at the meeting of ASEAN senior economic officials next month in Jakarta.

Thailand is the second ASEAN member to voice support for the initiative which was floated in December last year. Singapore was the first to strongly endorse the initiative which is widely thought of as a mechanism to counterbalance the prospect of increasing protectionism should the GATT talks fail.

Abu Hassan described Thailand's response to the initiative as favourable even though the initiative needed further discussion.

He said Indonesia had expressed interest in the concept of the grouping but it also needed to further discuss the concept.

Athit was quoted by Ambassador to the Foreign Ministry Kopsak Chutikun as telling Abu Hassan that Thailand agreed with Malaysia that in view of the unsuccessful GATT talks, ASEAN should be strengthened in order to give it more leverage in international negotiations.

Athit also stressed that any expanded structure should have ASEAN as a core and aim at further developing ASEAN trade and economic cooperation.

Abu Hassan said yesterday he agreed with Athit that ASEAN solidarity and closer cooperation should be emphasized.

The two ministers were of the opinion that bilateral relations should be further strengthened and more widely developed. Kopsak said they had agreed that their countries are like "Siamese twins" and Malaysia is a gateway for Thailand to other ASEAN countries.

Athit and Abu Hassan also agreed that the fourth meeting of the Thai-Malaysian joint commission will be convened February 21-22 in Phuket and will be co-chaired by the two ministers.

To be discussed during the meeting are various issues including the transportation of perishable goods to Malaysia, the overlapping frequencies of radio and TV stations along the common border areas and border demarcation.

The meeting will be followed by a summit meeting between the countries' two prime ministers later in the year.

Athit said he and his counterpart will on Jan 21 ratify instruments in setting up a joint commission to regulate the use of petroleum resources in their overlapping territories in the Gulf of Thailand.

Feb Visit by SRV Prime Minister Previewed

BK1201030091 Bangkok THE NATION in English 12 Jan 91 p A8

[By Kawi Chongkitthawon from Hanoi]

[Text] The visit by Vietnamese Prime Minister Do Muoi to Thailand in early February will be another indication that the post-Cold War era has begun in Asia, and mark a new relationship between two old adversaries in the region.

Vietnam also hopes the summit between Do Muoi and Prime Minister Chatchai Chunhawan will bring it closer to the embrace of ASEAN. Sweeping changes have made the regional environment friendlier to Vietnam than ever before.

Vietnamese troops have left Cambodia and the peace process to end the Cambodian conflict is continuing despite on-going disputes over the role of the United Nations after a settlement. Vietnam is working to settle the refugee problem with ASEAN through financial assistance from the European Community. For the first time, Vietnam has a real vision of becoming a member of the regional community.

When former prime minister Pham Van Dong visited Thailand in September 1978, Vietnam was in a flamboyant mood. It had won the war against America and the country was reunified. But immediately following his visit, Vietnam invaded Cambodia, leading to a decade of hostility against Vietnam by the countries of the region.

A number of Vietnamese officials interviewed believe that Do Muoi's visit will cement Thailand and Vietnam's new relationship. One official who monitors ties with Thailand said Do Muoi was visiting this time with a "clear head".

"He knows the direction the world is taking: what Thailand's policy is; what the Chinese attitude toward Vietnam is; what the US policy is," said the official, who asked not to be identified.

Beyond that, he said, Do Muoi's visit had two objectives: to respond "positively" to initiatives by Chatchai and to boost the image of his government.

Vietnamese officials admitted that after Foreign Minister Nguyen Co Thach visited Thailand in October, when the idea of a working summit was broached, the subsequent political situation in Thailand caused a lot of anxiety among their policy-makers.

At first, both sides agreed in principle to meet last November, right after the visit to Hanoi of Indonesian President Suharto. But it was postponed without any official explanation from Bangkok.

However, after Chatchai's resignation and subsequent return with a new Cabinet, Vietnam has become more enthusiastic. Apparently, Hanoi was pleased by the policy statement by newly-appointed Thai Foreign Minister Athit Urairat on Thailand's neutrality on Cambodia and reaffirmation of current Indochina policy. The visit will also boost Chatchai's sagging image, the officials here expected.

"By this time, some of us have concluded that Thailand's Indochinese policy is 'irreversible'," the same official said. He said the basic direction of Thailand's policy would remain regardless of any change in the future Thai government because it is in tune with the new regional and global environment.

Using the history of Thailand's diplomacy since the time of King Chulalongkon as an example, the Vietnamese official said Thailand normally had thrived on conflicts. When there were conflicts between the French and the British in Southeast Asia during the reign of Rama V, Thailand was able to use its territory as a buffer state and played the two European powers against each other to escape colonization.

In the 50's and 60's, Thailand used conflicts in Indochina to protect its national interests and obtain foreign assistance. That was also obvious during the Vietnam War. The Cambododian conflict has highlighted Thailand as a frontline state—in terms of Vietnam a buffer for East and West confronation—and Bangkok has gained economically from the prolonged war in Cambodia, said the official.

However, with the end of the Cold War, Thailand has lost such opportunities to use East-West antagonism for its own benefit. Fortunately, a new Thai foreign policy was formulated two years ago to replace the old paradigm, with some hue and cry from Thailand's allies. The Vietnamese official noted that this policy is widely accepted now.

Under such circumstances, Vietnam also sees Do Muoi's visit as a stepping stone for Vietnam to forge closer ties with ASEAN, with the hopes that such ties would reduce the impact of a continued economic embargo by the United States. In fact, apart from the European Community, ASEAN and Japan are considered by Vietnam as the two prime foreign partners to develop its backward economy. Further delays in Sino-Vietnamese normalization of ties have also made ties with ASEAN and Japan more essential.

It was not surprising at all that at a recent meeting of the State Council, Indonesian President Suharto's visit here was highly praised. Suharto visited Hanoi right after he visited Beijing in November.

By the same token, Do Muoi's visit to Thailand, the first to any Southeast Asian country, will underscore the important role Thailand can play in Vietnam's diplomacy and overall development.

The summit will be the first opportunity for Vietnam to reaffirm its intention to accede to the ASEAN Treaty of Amity and Cooperation, with the hope of this eventually leading to ASEAN membership.

The trip will also put a stamp on the framework of future bilateral economic cooperation—the establishment of a joint economic commission. In a recent interview, the Vietnamese premier made clear that he wanted to use Thailand as a bridge for economic integration with ASEAN and at the same time learn economic management techniques from Thailand.

Other areas of cooperation that will be finalized during the visit will include a joint effort to develop offshore oil exploration in an overlapping area of control, fishing cooperation, protection of Thai investment in Vietnam and possibly the formation of a rice cartel comprising Vietnam and Thailand. Both are major world rice producers.

There is a possibility that the issue of loans to Vietnam would be reconsidered. Former Prime Minister Gen Kriangsak Chamanan offered Bt110 [baht] million worth of loans to allow Vientam to buy rice during Pham Van Dong's visit. It was subsequently frozen because of Vietnam's invasion of Cambodia.

The same official said that if the question of the old loan was raised it would be symbolic unless Thailand was prepared to provide a larger amount covering areas outside of rice, which Vietnam now produces in sufficiency.

The outcome of the Do Muoi-Chatchai summit will indicate how well Vietnam is prepared to manage future ties with non-socialist countries in Southeat Asia, which formerly were its prime enemies.

Editorial Views Japanese Role in Southeast Asia

BK1201020891 Bangkok THE NATION in English 12 Jan 91 p A8

[Editorial: "Japan's Assertiveness"]

[Text] Though the Gulf crisis has caused Japanese Prime Minister Toshiki Kaifu to cancel his five-nation ASEAN tour, during which he was set to declare a new policy emphasis towards this region, it will not change Japan's desire to play a major role in the "new era" Southeast Asia now finds itself in.

Japan is embarking on a more assertive policy toward the region, both in the economic and political arenas. Though the Cambodian conflict has yet to be settled, it is obvious that Japan already has a policy vision for a future Southeast Asia.

Japan has established a strong presence in Vietnam, despite the economic embargo imposed by the West after the Vietnamese invasion of Cambodia in December 1978. Japanese companies such as Mitusbishi are beginning to establish offices in Vietnam witout using dummy names. Indeed, some US companies have also invested in Vietnam by working through joint ventures with partners from third countries.

Japan's assertiveness on the economic front comes at a time when the Western embargo is weakening, despite US opposition. It seems that the United States is becoming increasingly irrelevant to economic development in Vietnam, and Japan can no longer wait for an American change of heart. By linking its interest in Indochina with ASEAN, Japan can ensure the regional support of its endeavour.

Thailand has been a willing partner in Japan's desire to play an active role in this part of the world. Japan's confidence about its new direction has increased ever since the Tokyo peace talks on Cambodia last June. For years now, Japan has been weary of its "cheque book diplomacy"—a diplomatic role limited to financial donations—and has wanted to branch out.

The Cambodian situation has provided a testing ground for Tokyo. At the very least, Japan, which is going to give money for Cambodia's reconstruction, can also dispatch non-combatant personnel to supervise the UN-sponsored peace operation in Cambodia.

The international community seems to have failed to understand that Japan wants to rid itself of the image of being just a big and easy spender. In any case, if Japan is to spend the money, it might as well have some say in multilateral dealings.

While Thailand has welcomed Japan's new approach, other ASEAN countries have not been clear about their policy. For one thing, Thailand is bound to benefit by an increase in Japan's economic presence in Indochina because of geographical proximity. But unless ASEAN in general benefits from this bonanza, Japan's assertiveness could backfire.

Vietnam

Further Reaction to Hostilities in Persian Gulf

Newspaper on Possible Effects

BK1601140791 Hanoi Domestic Service in Vietnamese 1430 GMT 15 Jan 91

[HANOI MOI 15 January article: "Danger of War in the Persian Gulf"]

[Text] The 9 January Baker-'Aziz negotiations which dragged on for seven hours were fruitless. Earlier, at the 4 January White House news conference, President Bush stressed that this meeting would allow the United States to tell Iraq that it must withdraw troops from Kuwait or face war and that the U.S. would not offer any concession.

In its 9 January report, the U.S. television station NBC said that in his letter to Iraqi President Husayn—which Baker handed to 'Aziz at the meeting—President Bush threatened that the U.S. will use 2,000 aircraft to destroy the Iraqi military forces, including those bunkers that Mr. Husayn and his high-ranking military commanders are trying to defend. According to NBC, the air attack will be launched immediately after 15 January and will be followed with attacks by U.S. infantry units and the multinational forces. But Iraqi Foreign Minister 'Aziz refused to convey President Bush's letter to President Husayn, arguing that the wording of the letter was impolite and improper in normal correspondence between heads of state. President Bush, however, threw all the blame on the Iraqi side for the failure of the meeting, saying that 'Aziz refused to make even the slightest consession at the negotiation.

Although Mr. Bush has successfully incited the spirit of chauvinism in the U.S. Congress and in a segment of the U.S. population, a recent public opinion survey conducted by U.S. television ABC and the WASHINGTON POST shows that when the war breaks out, the U.S. people's support for President Bush will fade quickly. This is not surprising because the Pentagon has sent to the Gulf 8,000 [as heard] plastic bags for corpses. But military specialists estimate that as many as 20,000 U.S. troops will die in the war. With more than 1 million troops in full combat gear in the Gulf from almost 30 countries, anyone may face death at any moment given the deployment of the most sophisticated weapons of the 21st century in the area. Moreover, almost 10,000 tanks and armored cars, more than 3,000 aircraft, and dozens of war ships have been mobilized to the Gulf with a destructive power that could not be estimated in advance. The burning of about 1,000 huge oil wells in Kuwait alone is more than enough to change the climatic conditions in the region. This will cause an arid condition to spread over a vast portion of the earth's surface and hunger and deadly diseases will threaten about 1 billion people of this generation and the next.

The U.S. economy will have to bear an immediate burden, that is, an additional $39 billion will be included in the military budget. If the $50 billion loss caused by the impact of the recession—which has started infiltrating the United States since the beginning of the fourth quarter of 1990—is also counted, the U.S. federal budget deficit in this fiscal year will amount to $400 billion, a record figure unprecedented in U.S. history. U.S. economists held that this recession is likely to drag on until mid-1991 and that the economic growth rate can only reach 0.9 percent.

Moreover, the U.S.-dominated 28-nation alliance which is massing in the Gulf now has exposed differences. While the United States is fiercely protesting against the holding of an international conference on the Middle East, especially against the linking of this issue with the settlement of the Gulf crisis, on 4 January French Foreign Minister Dumas put forth a seven-point plan for solving the Gulf crisis, including the examination of other Middle East issues. Luxembourg, Italy, and Germany have all exprressed their readiness to hold talks with Iraq. On 10 January, one day after the collapse of the Baker-'Aziz talks, the EC decided to invite the Iraqi foreign minister to come to Algiers to discuss the Middle East.

Finance is also a disturbing problem. On 21 December President Bush personally met the ambassadors of 23 allied countries to press them for financial contributions. But despite a grandiose pledge of nearly $37 billion, actual contributions could eventually reach only $10 billion or so. On 10 January the U.S. ambassador to Japan met Mr. Ikeda, director general of the Japanese Defense Department, asking Japan to make certain kinds of concrete contributions. But Mr. Ikeda turned a deaf ear on him, giving no reply.

Radio Reports Attack on Baghdad

BK1701100791 Hanoi Domestic Service in Vietnamese 0500 GMT 17 Jan 91

[Text] According to foreign sources, at 0000 GMT—0700 Hanoi time and 0300 Baghdad time—on 17 January, that is, only 19 hours after the deadline set by the United Nations for Iraq to withdraw its troops from Kuwait, the United States and its allies in the multinational forces launched a massive attack on Kuwait and Iraq.

The attack began with salvos of cruise and Tomahawk missiles launched from U.S. warships. Next, hundreds of U.S., British, Saudi, and Kuwaiti aircraft launched violent bombings of key targets in Kuwait and Banghdad, capital of Iraq. The U.S. command said that the targets of these air raids were not the person of Iraqi President Saddam Husayn, but the Iraqi command posts and radar stations, which the allies wanted to hit as part of their efforts to destroy Iraq's defense capabilities, including its nuclear and chemical capabilities. The multinational forces did not meet any resistance from the Iraqi Air Force because nearly all of Iraq's radar station had been paralyzed by U.S. radar jamming techniques. According to military experts, the United States and its allies have achieved a high degree of tactical surprise. It has been reported that Iraq has fought back with anti-aircraft guns and ground-to-air missiles but these weapons seemed to have been aimed at targets the Iraqi could not see.

The United States and its allies plan to continue the air assault for 10 days before committing their ground forces. U.S. White House Spokesman Fitzwater said: The liberation of Kuwait has begun.

Baghdad was repeatedly shaken by aerial bombardments at one-minute intervals. The city was engulfed in smoke and flames.

At the White House, U.S. President Bush declared: The Desert Storm campaign has begun and is proceeding according to plan. The goal of this campaign is to destroy Iraq's strongest potentials, such as nuclear and chemical weapons, to force Iraq to leave Kuwait and restore its sovereignty, and at the same time, to compel Iraq to abide by all UN resolutions on the Persian Gulf. The U.S. president affirmed that the United States has no argument with the Iraqi people. He called on the Iraqi people to force President Saddam Husayn to lay down his arms, pull out of Kuwait, and rejoin the world community. He expressed his hopes that the war would not be another Vietnam, that hostilities would not go on for long, that casualties would be kept at a minimum, and that U.S. soldiers would be brought home as soon as possible.

According to the French news agency AFP, General Schwarzkopf, who once participated in the Vietnam war and the U.S. invasion of Grenada, has been appointed commander of U.S. forces in the Persian Gulf.

The same day, U.S. forces in Saudi Arabia began jamming Iraqi communications systems. More than 20 B-52 aircraft were moved from the U.S. military base on Diego Garcia to Saudi Arabia. This is the first time since the end of the U.S. war of aggression in Vietnam that B-52's were sent to battle. To date, the United States has sent into the Persian Gulf two aircraft carriers—U.S.S. Midway and Ranger—and 40 other warships, while 30 U.S. warships are stationed in Northern Arabian Sea, and 25 warships, including the four aircraft carriers Roosevelt, Kennedy, Saratoga, and America, together with 525,000 soldiers, are massed in the Red Sea.

Iraqi military forces are placed under the direct command of President Saddam Husayn, who is assisted by his field commanders. Iraq has declared that it is ready to use even chemical weapons in this war. Earlier, on 13 January, Iraqi newspapers disclosed that Iraqi might use a surprise weapon once hostilities broke out in the Gulf. According to THE WASHINGTON POST, this weapon may be a crude nuclear device capable of killing with radioactivity and small enough to be dropped by an airplane on enemy troops. It had been believed that it would take another three months for Iraq to perfect such a weapon. Observers contend that the Gulf war will proceed in an extremely brutal fashion. At present, the multinational forces are massing more than 680,000 soldiers in the region, while Iraq has 540,000 troops stationed in Kuwait and southern Iraq. This is the largest troop concentration since World War II in terms of both military hardware and manpower.

On 16 January, in a 45-minute address before the National Assembly dealing with Moscow's stance on the Gulf crisis, Soviet Deputy Foreign Minister Aleksandr Belonogov said that the Soviet Embassy in Baghdad had informed the Iraqi Government that the Soviet Union would not take any military action, even a symbolic one, against Iraq.

Vo Chi Cong Sends Condolences to PLO's 'Arafat

BK1701034091 Hanoi Domestic Service in Vietnamese 1430 GMT 16 Jan 91

["Message" from Council of State Chairman Vo Chi Cong to Yasir 'Arafat, president of the Palestine State and chairman of the Executive Committee of the PLO, issued on 16 January]

[Text] We are very sorry to hear that Salah Khalaf and Hayil 'Abd-al-Hamid, brilliant activists of Palestine revolutionary movement, were assassinated recently.

On behalf of the Vietnam Communist Party, the Government of the SRV, and the Vietnamese people, we would like to send to you and, through you, to the Executive Committee of the PLO, to Palestine soldiers and people, and to the families of Salah Khalaf and Hayil 'Abd-al-Hamid, our deepest sympathy. Sources from Japanese political circles said that Kaifu, a friend of the United States, would not go beyond the limit of $4 billion as already promised. This includes only $2 billion reserved for the United States and the remaining $2 billion for other countries affected by the Gulf crisis.

The alliance between the United States and various Arab countries is all the more precarious. Due to long-accumulated frictions within its internal ranks, the Arab world is now being divided into two major groups with one group supporting the United States and the other backing Iraq. But a chain reaction is unavoidable if war erupts and a reversal of the situation is likely.

Following news reports that Israel will strike Jordan if it is attacked first by Iraq, the Syrian premier said: Any strikes against Jordan will be construed as an attack against Syria. Egypt asserted that if Jordan is attacked, Egypt will change sides. Syria and Egypt are now opposing Iraq. Meanwhile Iran declared that it would remain neutral but would not let the United States control the region. Jordan's Queen Nur observed that if the war breaks out, the cost to be paid by the United States will be the loss of support from its Arab allies in the region.

Hanoi Citizens Express Views on Party Documents

BK1001130591 Hanoi NHAN DAN in Vietnamese 15 Dec 91 pp 1, 4

[Column by Nguyen Thanh Van: "View Contributed on Draft Documents of the Seventh Party Congress"]

[Text] While busying themselves with their year-end activities, handicraft workers in the capital have continued to monitor the mass media's initial reports on public views toward the two important draft documents of the party, namely the party's platform and strategy. The Hanoi Federation of Workers has held a debate to disseminate these two documents to more than 200 delegates—including management, scientific research, academic, and technical cadres, senior workers, and trade union cadres of various echelons—representing tens of thousands of workers and state employees of many grass-roots units in the capital.

After two days of ebullient debate, an identity of views has been reached on various issues. They have concurred with the party's current policy to present before the entire party and people a platform and a strategy for socioeconomic construction, categorically affirming that the party will continue to lead our country on the path chosen by our party and Uncle Ho.

While analyzing various chapters, subjects, and specific points of these two documents, those participating in the debate gave copious opinions. They spoke directly and frankly with a high sense of responsibility. Some of them observed that the contents of these documents literally reflect the wisdom of the entire party and people and bespeak the party Central Committee's sense of responsibility toward the destiny of the country and the cause of national construction and defense. The party has boldly looked squarely at the truth and correctly evaluated the actual socioeconomic situation as well as achievements attained and shortcomings and mistakes committed by the party over the past few years. The contents of the platform also reflect different trendencies among the people of various social strata. This shows that the party has truly upheld democratic principles, wishing to have the people of all strata participate in mapping out a correct socioeconomic platform and strategy to achieve national progress.

Comrade Pham Nang Cuong, representative of the public health sector said: While studying the platform, I found 82 new suggestions which are totally correct. Specific measures and steps outlined in the platform do not have any indications of voluntarism and the platform boldly refers to our country as one of the world's poorest nations. The platform, however, fails to satisfactorily deal with the need to provide training to youths of various generations so they can take up the cause of their forefathers. According to the comrade, this is a worrisome issue, for our investment in education, culture, and social welfare is still very small, while social ethics are on a sharp decline. If we are without a comprehensive plan, not only will we be dropped far behind by the world but we will also be condemned by future generations.

Comrade Nguyen Anh Dung, cadre of Machine Tools Factory No.1 said: The platform calls for "bypassing the stage of capitalist development" at a time when there is now a labor redundancy in our national economy and the emergence of various economic components, including the capitalist economic component. Is this a contradiction between theory and practice? Other people proposed that to achieve steadfastness, the party should resolutely rid itself of the opportunists, the corrupt, and those bullying the masses now still in the party.

Others raised the question: If caught stealing something worth less than a few thousand dong, a worker at the grass roots may be fined or may even face dismissal in certain cases. Meanwhile, if charged with committing corruption and causing the loss of billions of dong of the state, a party member in an influential position will not be made to face appropriate legal action. Why? It is these phenomena which have caused the masses to lose confidence in the party leadership and state law.

A representative of the public health sector said: The strategy for socioeconomic development calls for caring for and improving the physical condition of Vietnamese during the period up to the year 2000. Meanwhile, the percentage of children in our country suffering from malnutrition is now around 30 percent and the percentage of newborns weighing below 2.5 kg now constitutes 15 percent of the total. These percentages are relatively high. Therefore, to lower the percentage of children suffering from malnutrition, we should not talk in general terms, but should come up with specific steps.

Comrade Nguyen Van Canh and Vu Duc Nhuan said: In the contents of the platform, there are some points which are described at too great a length. These points should be written in a shorter and more comprehensible fashion because the educational and political knowledge of the majority of our workers is not high and they do not have much time to examine the document to fully understand it. Many discussed part four of the economic strategy, pointing out that the state now lacks capital needed for investment in the building of material bases. But it has not yet done its utmost to mobilize the in-country source of capital. The people's idle money (including Vietnamese dong, foreign currencies, and precious metals) is still left floating in the market in large amounts. If we have a correct policy, these amounts of money will be gathered to cater to production.

Comrade Dinh Van Thanh of an electronic company said: One of the most irrational things is the question of wages. For a long time we have compensated workers on a "per-head" basis, thus heavily characterized by egalitarianism, without basing wage payment on the positions held or on the results of the work done. To unleash the work force, it is important to remunerate workers more appropriately. Nevertheless, the part dealing with wages in the economic strategy fails to go into specific details and is therefore too superficial.

Representatives of workers belonging to such production establishments such as the precision machinery plant, the Rang Dong bulbs and thermos factory, and the Dong Xuan knit-wear factory shared this proposal: It is important for the party to strive to regain and improve the people's confidence in it. This should be realized not only through policies and measures but also through its daily practical activities. At a time when workers of many factories and enterprises in Hanoi are underemployed, when their products cannot be sold, when commodity price continues to rise, etc...the state must promptly take effective measures to help maintain the operation of grass-roots production establishments.

We should not leave them "drifting" the way they are because in the final analysis, the working people at large in the grass roots are the ones capable of translating the economic platform and strategy into action. These people are facing a hard life and need attention and assistance from the state. The working class of the capital—who has a glorious revolutionary tradition, has contributed greatly to the two resistance wars as well as to socialist construction, and who is now taking the lead in the renovation undertaking—has always believed in the party leadership and hopes that the party will be able to maintain political stability and gradually iron out economic difficulties in leading our country on the path chosen by the party and Uncle Ho.

Vo Dong Giang Comments on Foreign Investment

BK1301154591 Hanoi Domestic Service in Vietnamese 0015 GMT 13 Jan 91

[Interview with Minister Vo Dong Giang, vice chairman of the State Commission for Cooperation and Investment, by station correspondent; date and place not given—recorded]

[Text] [Correspondent] Comrade minister, recently, you visited a number of European countries to help promote foreign investment in our country. Could you please tell us about the significance of your trip.

[Vo Dong Giang] Our trip was part of the campaign for a forum on foreign investment in Vietnam scheduled to be held in Ho Chi Minh City in mid-March of this year with coordination among our State Commission for Cooperation and Investment, UNIDO [United Nations Industry Development Organization], and UNDP [United Nations Development Program].

The forthcoming investment forum will be an important event. It can be said that the forum will provide a key venue for foreign investors to conduct an on-the-spot survey of investment conditions and opportunities in Vietnam, and particularly, to exchange views with their Vietnamese counterparts on the different investment projects they may want to initiate.

Like our previous foreign investment campaigns in Australia, Japan, and Hong Kong, the objective of our recent trip to the five European countries—Austria, (?Italy), France, Sweden, and the Federal Republic of Germany—was to make preparations for the above-mentioned forum.

While there, we organized various seminars in eight cities and major industrial centers to brief local business people on the situation and investment opportunities in Vietnam, especially on the 180 investment projects already selected for implementation by the different branches, occupations, and localities in our country. We provided foreign businessmen with specific details on their preferred investment projects. In addition, they will have the chance to get more information on these projects from their Vietnamese counterparts at the investment forum to be held in Ho Chi Minh City in March of this year.

A new workstyle has been adopted this time. Not only have we accepted foreign investor-initiated projects for consideration, but we have also taken the initiative in presenting to foreign business people various projects we have formulated based on our own calculations and selection, bearing in mind the need to keep these projects within our requirements and conditions while at the same time making them appeal to foreign investors. In other words, we have adopted positive measures aimed at attracting more foreign investment in our country.

[Correspondent] Please tell us about the results of your trip this time.

[Vo Dong Giang] Well, our recent trip has helped draw the attention of many governments and foreign business people. The first factor of success must be attributed to the fact that the initial achievements of our country's renovation undertaking have been highly valued by many countries. World public opinion is fully aware of the determination, intelligence, and creativeness we have displayed in the renovation cause as well as of our country's potential and our state's open-door policy.

Even though the international situation does not develop completely to our advantage and despite the fact that Vietnam still displays many shortcomings in its foreign investment policy, farsighted business people have all agreed that together with accelerated reform measures, the implementation of the newly promulgated socioeconomic strategy will help overcome those shortcomings step by step and that Vietnam will certainly materialize its development objectives.

Therefore, in the eyes of many foreign businessmen, Vietnam is a very promising market where investment opportunities abound. So far, more than 300 foreign businessmen have applied to participate in the forum. We believe that Ho Chi Minh City will host about 500 foreign guests on this occasion. It is certain that at the forthcoming forum and in 1991, we will be awarded with many foreign investment contracts far exceeding the previous ones, both in terms of quantity and quality, thus making more important contributions to national development.

[Correspondent] A number of foreign businessmen want to invest in Vietnam but still hesitate to do so. In your opinion, what should we do to further promote foreign investment in Vietnam?

[Vo Dong Giang] You are right. Vietnam has many potentials and adopts an open-door policy. Nonetheless, many foreign business people are still unaware of those facts about the Vietnamese market. The renovation undertaken in Vietnam has yielded positive and effective results but these are but initial achievements. As far as investment is concerned, Vietnam still displays shortcomings, which, at times, have been exaggerated. Therefore, many foreign firms want to invest in Vietnam but still hesitate to do so. Their concern does not stem from a lack of confidence in our policies and lines but mainly from the following problems:

First of all, they do not have sufficient information about and adequate knowledge of the fast-changing situation in our country. Of course, continued efforts are needed to further accelerate our renovation cause. Many basic issues related to investors' interests have been clearly defined in our country's law but people still do not have a clear idea about them. For instance, many people still believe that the law on foreign investment adopted in December 1987 is the only document on foreign investment in Vietnam. The truth is that three years following the promulgation of the law on foreign investment, our state has continued to issue nearly 50 other legal documents on foreign investment. In the meantime, we have signed or have negotiated with tens of countries a number of bilateral investment agreements serving as solid legal bases for securing investors' interests.

Another drawback which causes a lack of peace of mind among investors is the actual problems they have encountered due to our improper workstyle. As examples, one can cite protracted negotiations, the practice of reaching agreement and then changing one's mind as a result of miscalculations or poor knowledge, unjustified contract cancellation, failure to settle accounts, complicated and slow banking operations and credit services, complex visa application procedures, difficulty in supplying housing accommodations and in making travel arrangements, and inconvenient personnel recruitment and remuneration due to the presence of middlemen.

Moreover, we still do not have adequate banking, financial, accounting, and legal services to effectively support investment and business operations. These shortcomings call for continued efforts to renovate our workstyle in all branches and areas of activities in order to further promote foreign investment. Greater efforts are needed to provide foreign investors with more information and documents about our country and to perfect state mechanisms and laws according to the renovation line. Most important of all, plans must be worked out to train and improve the contingent of personnel in charge of external economic relations so that they can demonstrate professionalism and possess adequate knowledge of national and international laws, thus showing themselves worthy of the confidence of customers at home and abroad.

Obviously, much work remains to be done. Anyway, I think we have every reason to believe that we will do a fine job.

[Correspondent] Thank you, Comrade Minister.

Do Muoi Greets USSR Prime Minister Pavlov

BK1701095991 Hanoi Domestic Service in Vietnamese 0500 GMT 17 Jan 91

["Greeting" from Council of Ministers Chairman Do Muoi to Valentin Pavlov on the latter's appointment as USSR prime minister on 17 January]

[Text] On your election as USSR prime minister, I would like to send my warmest congratulations to you.

I wish you well and hope that you will score several achievements in your responsible position, and that the friendship and the multilateral cooperation between Vietnam and the Soviet Union will be constantly strengthened and developed. I wish the Soviet people will overcome all difficulties and challenges to continue to lead the country on the socialist route.

Do Muoi Congratulates New Polish Prime Minister

BK1501155591 Hanoi VNA in English 1454 GMT 15 Jan 91

[Text] Hanoi VNA Jan. 15—Chairman of the Council of Ministers Do Muoi yesterday extended congratulations to Jan K. Bielecki on his appointment as prime minister of Republic of Poland.

Chairman Do Muoi expressed his wish for continued development of the friendship and cooperation between Vietnam and Poland in the interests of the two peoples and of peace and cooperation among nations.

Laos' 1990 Socioeconomic Achievements Hailed

BK0401152991 Hanoi Domestic Service in Vietnamese 0015 GMT 4 Jan 91

[Commentary by Duong Quang Minh]

[Text] In 1990, the fraternal Lao people have stepped up renovation, undertaking to promote the socioeconomic development program, with encouraging results.

Progress has been made in shifting the old management mechanism and cumbersome workstyle based on bureaucratic centralism and state subsidization to business accountability. Favorable conditions have been created for the laboring people to bring into full play their work abilities and creativeness. Efforts to stabilize prices and exchange rates; to grant the right of autonomy to state-run establishments; to promote the household, private, and multisectorial economies; to broaden external economic relations; and to encourage foreign investment have yielded initial results. These achievements have helped the Lao people overcome the shortages of goods and gradually stabilize the pricing system.

The New Year has brought many good tidings to the fraternal Lao people. Last year's grain output reached more than 1.5 million tons. The electricity-generating, wood exploitation, and processing sectors; local industries; and traditional handicrafts have all fulfilled or overfulfilled their planned norms.

In addition to these economic achievements, steady progress has been recorded in national defense and security, thus guaranteeing conditions for the Lao people of different ethnic groups to engage in peaceful national construction.

Implementing their foreign policy of independence, sovereignty, and peace, the fraternal Lao party and state have greatly contributed to the time-honored solidarity and friendship among Laos, Vietnam, and Cambodia and have also strengthened and broadened Laos's friendly relations with neighboring nations and other countries in different parts of the world.

The Lao People's Democratic Republic [LPDR] has set forth many goodwill initiatives and proposals to help reach a peaceful solution to the Cambodian issue and to ensure peace, stability, and cooperation in Southeast Asia. These initiatives and proposals have been welcomed and highly valued by broad segments of world public opinion. Over the past year, the LPDR's prestige and position in the world arena have been enhanced a step further.

The Lao people have made steady, significant progress. Their achievements must be attributed first of all to the correct lines, policies, and measures taken by the fourth Lao People's Revolutionary Party [LPRP] Congress to cope with the actual developments in the country as well as to the sensitiveness and traditions of sovereignty and resourcefulness that the congress has displayed while trying to handle the situation in accordance with the spirit of the renovation cause.

At present, fraternal Laos has begun implementing the third five-year 1991-1995 state plan in which importance is attached to agriculture and forestry and concentrated efforts are also made to promote industrial development, including electricity production and mineral exploitation. Besides, efforts have also been exerted to boost afforestation, transportation, trade, banking, insurance, and so forth.

Following the recent jubilant and solemn commemoration of their country's 15th National Day, the fraternal Lao people of different ethnic groups are now working actively and creatively to welcome the upcoming fifth LPRP congress. Dealing with the glorious yet heavy tasks facing the entire Lao party, Armed Forces, and people, Comrade Party General Secretary Kaysone Phomvihan pointed out: To turn Laos into a peaceful, independent, democratic, unified, and prosperous country, we must strive to consolidate and strengthen the solidarity and unity between people of different ethnic groups, develop our fine national traditions and the people's right to be master of the nation, persistently pursue the revolutionary path and the overall renovation udertaking, and build firm grass-roots establishments.

Welcoming the achievements by the party, state, and people of fraternal Laos in 1990, we wish them even greater victories in national defense and national construction so that they will create conditions for the upcoming fifth LPRP congress to be crowned with success.

Articles Devoted to Cambodian National Day

BK0701081791 Hanoi VNA in English 0702 GMT 7 Jan 91

[Text] Hanoi VNA January 7—The communist party newspaper "NHAN DAN" here today supports the State of Cambodia's demand that the United Nations respect Cambodia's independence and sovereignty and the Cambodian people's right to self-determination and take concrete measures to prevent the return to power of the genocidal regime in Cambodia.

In an article on the 12th anniversary of Cambodia's National Day (January 7), NHAN DAN says: "Over the past one year or so since the complete withdrawal of Vietnamese Volunteer Troops from Cambodia, the State of Cambodia has stood firmly, overcoming all trials, foiling all schemes and acts of the reactionary forces aimed at expanding the civil war, maintaining political security and social construction.

These realities have confirmed the mandate vested by the Cambodian people in the State of Cambodia which is strong enough and capable to protect and carry on the Cambodian people's survival against the danger of a possible resurgence of the genocidal regime."

For its part, the Army paper "QUAN DOI NHAN DAN" editorially says: "The just cause of the Cambodian people and the prestige of the Cambodian Government have been winning more and more support and sympathy from the peace- and justice-loving people all over the world. Many countries have recognized the government of the State of Cambodia as the Cambodian people's only leader which is controlling most of the Cambodian territory. The United Nations had to vacate Cambodia's seat which has been held by the coalition government of Democratic Kampuchea for more than ten years.'

The Army paper goes on: "Nevertheless, the process of settlement of the Cambodian problem still remains a difficult and complicated one due to the schemes and actions of the Khmer opposition factions and their backers. The Cambodian revolution is entering into a new stage with considerable difficulties and trials, but it is certain that the Cambodian people and their Armed Forces will achieve new successes.

The close friendship and militant solidarity between Vietnam and Cambodia, as well as among Vietnam, Cambodia and Laos, have stood the test of time, and is continuing to develop finely. The Vietnamese people consistently and resolutely support and assist the Cambodian revolution, and firmly believe that the Cambodian people and Army will overcome all difficulties and trials to obtain new and greater achievements."

Energy Institute Increases Foreign Cooperation

BK1601115191 Hanoi VNA in English 0711 GMT 16 Jan 91

[Text] Hanoi VNA Jan. 16—The Vietnam Institute of Energy (VIE) under the Ministry of Energy, responsible for the study of Vietnam's energy policies and development programmes and for researches in energy, has stepped up cooperation with foreign partners.

Regarding the Soviet Union, the institute has cooperated with north-west Leningrad's Sub-Institute of Electrical Network Design in elaborating three general schematic projects for network development in Vietnam in 1980-85, 1986-90 and 1990-95 which have essentially acccounted for Vietnam's achievements in energy in the past years.

In cooperation with the energy institute of the U.S.S.R, V.I.E has set up a centre for basic research on lighting and for the protection of energy installations, industrial plants and civilian facilities. This centre, one of the biggest in Asia and the Pacific, is capable of solving problems relating to protection from lightning in the conditions of a tropical country prone to thunderstorms.

For three years now V.I.E has kept in touch with the Institute of Energy Economics (IEE) of Japan. In furtherance of an agreement signed by the directors of the two institutes, alternate seminars were held in Vietnam and Japan in 1988 and 1989 to discuss future cooperation.

In 1988, V.I.E established relations with "L'Institute de L'Energie des Pays Ayant en Commun L'Usage du Francais" (IEPF) which has funded VIE's research on biogas, and which intends to introduce Vietnam's achievements in biogas to French-speaking countries. I.E.P.F has also pledged to finance a training course on energy planning for Vietnam, Laos and Cambodia to be held in Vietnam in March next year.

V.I.E has also received assistance from "Electricite de France" (EDF) and from "Agence de la Maitrise de L'Energy" (AFME) in technical literature and expertise.

VIE has also been assigned to be Vietnam's contact with three international organizations—the National Focal Point Regional Energy Development Programmes (REDP), the Asian and Pacific Energy Planning Network (APENPLAN) and "L'Agence de Cooperation Culturelle et Technique" (ACCT).

Relations between V.I.E and R.E.D.P were established in 1986. In this regard V.I.E has received valuable documents from R.E.D.P and, together with the ministry of energy and other ministries, has participated in international seminors and conferences on energy as well as regional refresher courses.

V.I.E is member of A.P.E.N.P.L.A.N. whose purpose is to help increase members' capacity in energy planning. V.I.E has fulfulled two contracts signed with A.P.D.C for a report on energy survey and the organisation of a national refresher course on integrated energy planning in Hanoi last year.

Assistance from A.C.C.T which began in 1988 has been supplied in the form of visits by experts to V.I.E. and of financial aids to small-scale projects on hydro-electricity and biogas, and a micro- biology lab. In cooperation with U.N.D.P [United Nations Development Program] and U.N.I.D.O [United Nations Industrial Development Organization], V.I.E is in social facilities [as received] to test small hydropower equipment. V.I.E has received financial assistance from F.A.O [United Nations Food and Agriculture Organization], U.N.I.C.E.F and W.H.O for the construction of water supply projects in mountain regions and biogas tanks. The same U.N. agencies have also provided V.I.E with money for the participation in regional symposiums and refresher courses on wood fuel and on energy generated from farm wastes in rural areas.

Ventures With Thailand, FRG, Taiwan Noted

BK1101115491 Hanoi Domestic Service in Vietnamese 1100 GMT 10 Jan 91

[Text] In 1990, Kien Giang Province approved four investment projects in joint ventures with foreign countries and obtained licenses for their operation with a total capital of more than $4.7 million. The joint ventures were set up to market marine products, Kien Giang's second largest source of income after agriculture. The province's state-operated fishing corporation signed a contract for marine products exploitation with the Sura Canning Company of Thailand. The local Union of Cement Enterprises launched a packaging corporation named Sikitak as a joint venture with an FRG company. The Kien Hung One and Kien Hung Two joint ventures were set up in cooperation with the Kaohsiung Company of Taiwan to produce fish meal. Three other projects with a total capital of more than $3.3 million are still awaiting licenses before starting operation.

Daily Sees 'Turning Point' in Southeast Asia

BK1001045791 Hanoi VNA in English 1512 GMT 9 Jan 91

["1990, a Turning Point in Southeast Asia, Says NHAN DAN"—VNA headline]

[Text] Hanoi VNA January 9—"The countries in the region have begun to leave the Cambodia issue behind and put aside the difference of their political systems to move closer together and to build up their mutual understanding and trust," says the national daily NHAN DAN in an article today on the general situation in Southeast Asia over the past year.

The paper says:

"The result of developments in the relation between the ASEAN countries and Vietnam, Laos and Cambodia last year can be seen as a turning point.

"The most outstanding event in the process of improving the relations between the two groups of countries was the official friendly visit to Vietnam of President Suharto, the first one of a top Indonesian leader after a gap of 33 years and also the first one of the head of state of a nonsocialist country since 1979. Many high-leval delegations of the government and army of Thailand and other countries in the region visited Vietnam. The chairman of the Vietnamese Council of Ministers was also invited to visit Thailand. For its part, Vietnam sent many high-ranking delegations representing its National Assembly, government and Armed Forces on visits to Indonesia, Thailand, Malaysia and some other regional countries.

"The economic relations between the ASEAN and Vietnam were also stepped up. Indonesia signed an agreement on economic, scientific and technical cooperation with Vietnam and set up a committee for economic cooperation between the two countries. Thailand also established a committee for economic, scientific, technical and cultural cooperation, and signed an agreement on investment promotion and protection and another one against double taxation with Vietnam. The ASEAN showed their desire to enhance their cooperation with Vietnam in many domains such as demarcation and exploitation of the continental shelf, oil exploration, rice exportation, fishery, cultivation and processing of tropical agricultural products."

"At present, the Lao-Thai talks on the settlement of the border issue are underway with both sides showing mutual understanding, while their economic and trade relations are strengthened."

"Prime Minister Hun Sen of the State of Cambodia paid an official visit to Thailand and held several talks with Thai leaders. Many economists from ASEAN countries visited Cambodia to explore the possibilities for economic cooperation with that country."

"Worthy of note is the gradual change in the attitude of the ASEAN countries towards the Cambodia issue. That Chatchai Chunhawan in Thailand declared to implement a policy of turning Indochina from a battlefield into a market and proposed a time-table for a cease-fire in Cambodia were new, positive demonstrations of the joint search for an overall political solution to the Cambodia issue. Jakarta and Bangkok took turn in hosting different forums on Cambodia. The unanimous adoption of the Draft Resolution on Cambodia at the 45th Session of the General Assembly of the United Nations was an important event with regard to this 11-year-old issue, which was based on the exchange of views in advance between the ASEAN countries and Vietnam and Laos.

"Like other regions in the world, Southeast Asia was not immune to the rapid change in the world situation in the past year. However, the changes in this region had their own internal causes. Vietnam has completely withdrawn its army volunteers from Cambodia, and its renovation policy has gained initial but important results. The renovation and open-door policy of Laos have also won world sympathy . With Vietnam's troop withdrawal from Cambodia, one of the two key problems has been settled and this has opened the way to the concluding stage of the Cambodia issue. Contrary to the prediction of many, instead of collapsing, the Phnom Penh administration has strengthened and weathered all trials. It is now controlling more than 90 percent of the territory and population, and continues to run all affairs of the country. Nobody can deny this reality. This is the foundation for the continued improvement of relations among countries in the region. The trend toward cooperation of Vietnam, Laos and the State of Cambodia with other countries in the region and the world has grown with each passing day."

NHAN DAN continues:

"People are trying to figure out a future model of Southeast Asia. Some want it to be a union of the six ASEAN countries with Vietnam, Laos, Cambodia and Myanmar [Burma]. Others want a continental Southeast Asia comprising Thailand, Vietnam, Laos, Cambodia and Myanmar [words indistinct], and an oceanic Southeast Asia including Singapore, Indonesia, Malaysia, the Philippines and Brunei with Singapore as centre. People are also talking of a closely united and prosperous Southeast Asia in the next decade. In any case, with its abundant manpower and natural resources, the dynamism of its people, with its strong scientific and technological development and fast expanding international cooperation, Southeast Asia is fully capable of overcoming difficulties, strengthening its friendly and cooperative relations in order together to work for a prosperous and peaceful future."

Nguyen Van Linh Addresses Sapper Unit Meeting

BK1201095991 Hanoi Domestic Service in Vietnamese 2330 GMT 10 Jan 91

[Station correspondent Khanh Toan's report on 6 January meeting in Ho Chi Minh city to mark the 45th founding anniversary of the Saigon-Cholon-Gia Dinh special sapper unit—portions recorded]

[Summary] "On the morning of 6 January, former members of the the Saigon-Cholon-Gia Dinh commando-sapper unit held a meeting at the conference hall of their traditional club in Ho Chi Minh City to commemorate the 45th founding anniversary of the unit—the first unit of the commando-sapper force."

The conference hall was packed with former members of the Saigon-Cholon-Gia Dinh commando-sapper unit of various generations, from the early days of the Nam Bo resistance against the French to the time when the U.S. aggressors were totally defeated in the spring of 1975.

"Amid the warm atmosphere of a big family, the former members of the unit were all moved with emotion when they received Comrade General Secretary Nguyen Van Linh, also known as esteemed brother Muoi Cuc, formerly secretary of the Saigon-Gia Dinh party committee and deputy secretary of the Central Office of South Vietnam. It was brother Muoi Cuc who always cared for and guided members of the Saigon-Cholon-Gia Dinh commando unit, thus enabling them to score many resounding victories in Saigon city and its suburbs in the past.

"Also attending the get-together of the big family of sappers were Comrades Nguyen Huu Tho, Tran Van Tra, Tran Hai Phung, and many former commanding cadres of the Saigon commando unit. They recalled the time when they fought the enemy together for the cause of national liberation in the past and discussed ways to continue contribibuting to the cause of national construction and defense at present."

The function began with revolutionary songs presented by the Huong Duong art troupe.

In a speech eulogizing many fallen members of his unit in the past, Comrade Tran Hai Phung, former commander of the Saigon commando unit and head of the liaison committee of the traditional club of the Ho Chi Minh city commando-sapper unit, stressed: "Now, we must seek ways to return a favor to those forgotten comrades for their military exploits in the past."

In an atmosphere of cordiality and warmth, Comrade General Secretary Nguyen Van Linh said:

[Begin Nguyen Van Linh recording] "I hope that the organ responsible for collecting data on our city's fighting history will exert efforts to collect data on all the battles and the names of fallen heroes and those still alive in order to record them in history. We must see to it that these materials are used to educate the young generations at present as well as in the future. This is aimed at reminding them that their parents or grandparents have heroically sacrificed their lives for the country. It is also intended to urge them to follow these examples in order to help build their socialist Vietnamese fatherland.

"I also hope that Comrade Quang—deputy minister of war invalids who is also present at this get-together—will contribute to the collection of data on fallen combatants and the enforcement of policies toward them and their families, as well as toward those comrades who are still alive. We should not delay or overlook this task just because of our heavy workload." [end recording]

"The comrade general secretary also exchanged views with everybody on the situation in the country and the world, as well as on the responsibilities of the entire party, people, and armed forces—including former members of the commando unit—in building and defending the socialist fatherland and safeguarding the party's viewpoints and policies. He said:

"Although our country is now in peacetime, we must realize that our entire people are still in the process of fighting two types of enemies— the enemy from within, namely corruption, smuggling, prerogative, bureaucratism, and arrogance; and the enemy from without, which is made up of exiled reactionaries who, with the help of the imperialists, are seeking to undermine the socialist system in our country. In view of this, while joining the entire people in accelerating the three economic programs, former members of the city commando unit must exert even greater efforts to develop their tradition and firmly maintain their will in order to help defeat these two dangerous types of enemies."

On behalf of nearly 700 representatives of the Saigon-Cholon-Gia Dinh commando unit, Comrade Major General Tran Hai Phung pledged to continue maintaining and developing the unit's tradition.

Do Muoi Letter to Oil Enterprise Cadres, Workers

BK1001072891 Hanoi NHAN DAN in Vietnamese 15 Dec pp 1, 4

[Council of Ministers Chairman Do Muoi's letter to board of directors, cadres, and workers of the Vietnam-Soviet Oil and Gas Joint Enterprise; date not given]

[Text] Dear Comrades,

I am very pleased to learn that on 5 December 1990 the Vietnam-Soviet Oil and Gas Joint Enterprise exploited the five millionth tonne of oil at the Bach Ho oil field, thereby fulfilling the 1990 and the 1986-90 five-year plan norms for crude oil exploitation one month ahead of schedule.

This was the result of the efforts made by the collective cadres, workers, and personnel of the Vietnam-Soviet Oil and Gas Enterprise to overcome difficulties and hardship to outstandingly fulfill the assigned task. It was also the result of the cooperation and contribution provided by sectors and localities in Vietnam and from the Soviet Union.

The achievement also demonstrates the friendship and effective cooperation between Vietnam and the Soviet Union.

On behalf of the SRV Council of Ministers, I highly commend you all, dear Comrades, for your achievements.

The fact that five million tonnes of crude oil were exploited at the Bach Ho oil field is an important advanced step in the process of strengthening the nascent oil and gas industry in Vietnam and is a significant contribution to the cause of developing the Vietnamese economy.

I earnestly hope that in the days ahead the friendship and fraternal cooperation between the Vietnamese and Soviet cadres and workers at the enterprise be increasingly consolidated and developed. I wish the enterprise ever greater achievements in the future.

Immediately, you Comrades should prepare yourselves to triumphantly fulfill the enterprise's 1991 plan which include the exploitation of 3.5 million tonnes of crude oil; strive to create favorable conditions for satisfactorily implementing the 1991-95 plans, continue to renovate industrial management task, ensure technical patterns in your work, rationally exploit natural resources, satisfactorily protect the environment, reduce expenses to cut down the production cost and enhance economic results, while striving to satisfactorily improve the daily life of cadres and workers of the enterprise.

Do Muoi Visits Postal Service Establishments

BK1701084891 Hanoi Domestic Service in Vietnamese 2300 GMT 16 Jan 91

[Text] On the morning of 13 January 1991, Council of Ministers Chairman Do Muoi visited production and business establishments of the postal service in Ho Chi Minh City.

Chairman Do Muoi stated that together with the extension of services, it is particularly necessary to pay attention to building the communications industry; attracting local capital and people with potential; broading cooperation and winning help from foreign countries in experience, technology, and capital to build a modern communication industry; assembling and later on producing equipment for the industry's demand and for export; concentrating on economical effect in production and in business; improving the cadres and staff's life and working conditions but not to neglect political duties; especially to ensure party leadership; conveying accurately and quickly government policies to grass root organizations; and improving the services to people living overseas and soldiers serving in the highlands, border areas, and remote islands so they can receive news from their relatives and understand the state, party direction, position, and policies. The chairman urged cadres and staff of the postal service to consider that great encouragement so they do not do anything that could be criticized by the public.

Le Quang Dao Visits Ho Chi Minh City Facilities

BK1101043991 Hanoi Domestic Service in Vietnamese 2300 GMT 8 Jan 91

[Text] Le Quang Dao, chairman of the National Assembly, recently visited the Food Corporation of Ho Chi Minh City, the first unit of the food sector in the entire country to abolish state subsidies and practice cost accounting. The chairman hailed the achievements of cadres, workers, and employees of the corporation and their contributions to stabilizing the grain market, serving the export industry, and developing agricultural production. The various projects built with the corporation's investments over the past few years have been expeditiously completed and put into production, have operated with high efficiency, and have yielded quick returns.

Chairman Le Quang Dao also toured the Saigon Satake Rice Mill and Saigon Petro Factory and heard the directors of the two establishments report on their production techniques, operational status, and plans for development in the coming years.

Various Afforestation Activities Conducted

Dong Sy Nguyen, Ministry Meet

BK1201063291 Hanoi Domestic Service in Vietnamese 2300 GMT 10 Jan 91

[Text] Dong Sy Nguyen, vice chairman of the Council of Ministers, recently held a working session with the Forestry Ministry and sectors concerned with the planned development of forestry until the year 2000, as well as the 1991 plan.

After drawing upon past experience, the vice chairman clearly pointed out the tasks of the forestry sector and of the 1991 forestry development plan in the days ahead.

On the strength of using forest resources to nurture the forests, in 1991 the forestry sector must achieve some important objectives including: to replant 300,000 hectares of concentrated forest land including 200,000 hectares of protective forest land and 100,000 hectares of economic forests, to zone off and protect 200,000 hectares of protective watershed forest and to effectively manage and deal with the currently available forest resources.

World Food Program Group Tours

BK1401104691 Hanoi VNA in English 0730 GMT 14 Jan 91

[Text] Hanoi VNA January 14—An appraisal mission of the World Food Programme (WFP) on its pipeline project 4304 led by Peter Selmer, senior desk official of the Asia and Pacific Bureau, recently paid a working visit to Vietnam.

On January 11, the mission had a working session with the Forestry Ministry on the implementation of the previous projects and the preparations for the implementation of Project 4304 on WFP assistance in afforestation in 17 coastal provinces in the country.

Since 1977, WFP has funded five afforestation projects in Vietnam.

WFP's Forestry Programs Viewed

BK1501100891 Hanoi VNA in English 0722 GMT 15 Jan 91

[Text] Hanoi VNA January 15—Since 1978, four afforestation projects funded by the World Food Program have effectively coutributed to socioeconomic development in Vietnam.

Projects No. 2780 and No. 4126, deployed in five central provinces (Nghe Tinh, Quang Binh, Quang Tri, Thua Thien-Hue and Quang Nam-Danang), have greatly increased the rate of afforestation in all those localities and provided permanent and seasonal jobs for several thousands of local labourers.

Project No. 3352 is under way in the northern provinces of Bac Thai, Vinh Phu and Ha Son Binh and the Hanoi area. This project was started in June 1989 and will conclude on May 30, 1993, under which 70,000 hectares of concentrated forest and 11,000 hectares of scattered trees will be planted. Over the past 20 months 25,000 hectares of forest have been grown, accounting for 37.7 percent of the plan, and the planting of scattered trees have achieved 43.5 percent of the plan. The newly afforested area has been providing the local people with firewood and some other valuable forest products, as well as favourable conditions to combine agricultural production with forestry.

At present the Vietnamese Ministry of Forestry has completed the feasibility study of Project No. 4304, with a total capital investment of U.S. dollars 30 million, to plant 150,000 hectares of forest during 1991-95 in 18 districts of 17 coastal provinces from Quang Ninh to Thuan Hai. When finished the project will provide 1.5 million cubic metres of timber and firewood for the local people.

AIDS Scare Spurs Solution to Drug Problem

BK1701041491 Hong Kong AFP in English 0337 GMT 17 Jan 91

[By Leo Dobbs]

[Text] Hanoi, Jan 17 (AFP)—Vietnam's first AIDS scare has put a spotlight on the mounting menace of drug addiction in a country where opium smoking is legal, so long as you grow it yourself.

Drug abuse is "the concern of everybody and, especially for our city, is the main problem which we have to solve in the future," Vuong Tuoc, director of the Hanoi human aid programmes, said in a recent interview here.

Truong Quang To, head of a Hanoi treatment centre for drug addicts, called drug abuse a "social evil" which he said authorities "have to put much attention into solving."

But Mr. Tuoc pointed out, "now we have a new task—to study whether AIDS is present in Vietnamese people."

Vietnam's first case of Acquired Immune Deficiency Sydrome (AIDS) was discovered in southern Ho Chi Minh City early last month.

A 30-year-old woman tested positive as she was preparing to emigrate to Australia. Those who have tested positive to the virus can develop full-blown AIDS, for which there is no cure.

Informed sources said she probably caught the virus from a Vietnamese exile who returned home from West Germany for a month in 1988, adding that she likely had a number of other sexual partners afterwards.

The AIDS virus, which is transmitted by contaminated blood, breaks down the body's immune system. Highest risk groups are homosexuals, prostitutes, drug addicts who inject themselves with used needles and blood transfusion patients.

Mr. To said drug abuse "creates AIDS and other diseases, including liver problems, through injections."

He said there were between 4,000 and 5,000 regular drug users in Hanoi, compared to more than 10,000 in Ho Chi Minh City, which was known as Saigon before North and South Vietnam were reunified in 1975.

This compared to about 600 here in 1954, when the north gained independence from France, and less than 100 between 1954 and 1975, Mr. To asserted.

Mr. Tuoc compared the rapid increase to reunification with the south, which had a large drug culture when U.S. Armed Forces were based there. The launch of Vietnam's open door policy in the late 1980s also made it easier for traffickers to import narcotics such as morphine and heroin.

Mr. To said such drugs could not be found in Vietnam and "now we are trying to find the source." Both officials said drugs came from Thailand, Laos and even China to the north. Marijuana is imported from Cambodia, they said.

"In Hanoi, opium is the most popular drug, then morphine," said Mr. To, adding that illegal opium dens were still doing business in the capital.

Home-grown opium comes from northern mountainous areas bordering China and Laos and, paradoxically, it is not a crime to smoke opium so long as you grow it yourself.

Selling it to others or inducing others to smoke opium is a crime punishable by stiff jail sentences.

Mr. Tuoc noted that punishment for trafficking was tough but "compared to the laws in Iran it is not tough, as there they kill people—here we only put them in jail for 20 years."

"We have a drug education programme even for children in schools and for workers," Mr. To said. "We are going to have a big campaign (against drug users) in 1991 ... but are waiting for the assistance of international organisations."

Meanwhile, his drug treatment centre acts as a test ground, with only 100 beds, for finding ways to treat people. Mr. Tuoc said the drug problem was generally dealt with on a community basis as many addicts have to earn a living to support their families.

U.S.-based World Relief International recently pitched in with 15 million dollars' worth of aid for the centre but both men called on the international community for more help to battle the drug problem before it gets out of hand.

Police Uncover Corruption in Quang Binh Province

BK0501132391 Hanoi Domestic Service in Vietnamese 2300 GMT 4 Jan 91

[Text] According to the General Department of the People's Police, from 24 to 31 December 1990, the economic police working with various market management forces in 18 provinces and cities, discovered 18 major cases of corruption involving nearly 6 billion dong. Typical was the case of Nguyen Khac Thai, chief officer of the People's Committee of Quang Binh Province and some other cadres concerned, who had embezzled US$10 million donated by a friendly country for recent flood victims.

The forces also seized 98,000 packs of foreign cigarettes, 19 tonnes of copper and other contraband valued at three billion dong or more, and recovered nearly 60 million dong of taxes for the state.

Anticorruption Drive Conducted in Hanoi City

BK1201092691 Hanoi Domestic Service in Vietnamese 2300 GMT 11 Jan 90

[Text] Up to now, 18 precincts, districts, city, sections, organs, and 140 grass-roots units of Hanoi City have developed the work of countering corruption. They chose to inspect and investigate 140 places, where there was information on or where managements were suspected of illegal economic practice.

Governments at all levels have concluded 120 cases, including 40 cases intentionally conducted against laws and policies through embezzlement, corruption, smuggling, and cheating under different forms, in order to defraud state and collective assets.

Initially, interior offices and responsible organs have recovered 15.777 billion dong in public funds and have collected 19.612 billion dong plus houses and other assets from the credit fund loan to repay to depositors.

Hanoi Authorities Continue Battle Against Crime

BK0901172091 Hanoi Domestic Service in Vietnamese 1100 GMT 8 Jan 91

[Text] In Hanoi, during the first four days of the seventh phase of implementing the Council of Ministers Directive No. 135, the authorities dealt with 115 crimes, arrested 154 persons engaged in economic transgressions, and confiscated smuggled items valued at almost five billion dong which included 13 kg of gold, $7,511 and 309 million dong in cash, more than 6,700 liters of fuel, 19 parcels of homemade cigarettes containing almost 20,000 cartons, and more than 4,200 packs of foreign cigarettes.

The capital authorities also arrested 178 criminals including 45 crooks working for 18 outlaw groups, detained 51 wanted persons, and persuaded 19 offenders to confess their crimes.

It is noteworthy that new crimes have been emerging, including kidnapping of children for ransom or for selling in china [duwa nguwowif bans sang trung quoocs].

Generally speaking, economic transgressions and crimes are still prevalent, thus we should not be satisfied with the achievements obtained. It is expected that some major illegal trade transactions and violations of state property will occur if no effective preventive measures are taken.

Police Arrest Criminals in Various Localities

BK1201070291 Hanoi Domestic Service in Vietnamese 1430 GMT 10 Jan 91

[Text] During the first week of January, the people's police units in various localities, operating in compliance with Directive 135, detected 114 cases of mischief, arrested 195 culprits, and recovered 2.938 billion dong for the state.

The people's police forces cracked down on 50 criminal gangs and cells, wiped out 133 groups of social evils and apprehended and dealt with many dangerous ringleaders including 82 robbers, 57 swindlers of citizens'property, and 166 wanted suspects.

Poor Results in Combatting Smuggling Reported

BK0501093991 Hanoi Domestic Service in Vietnamese 1100 GMT 4 Jan 91

[Text] According to a report from the central task force committee, in 1990 the counter smuggling forces countrywide discovered and dealt with 20,000 cases of smuggling and trading of state-controlled goods and 500 cases of forgery. Arrests for half of these cases involving 150 billion dong-worth of goods and transportation seized were conducted during the fourth quarter of 1990. These included 4,000 tonnes of copper and steel, 360 kg. of opium, 12 million packs of foreign cigarettes, 16,000 liters of gasoline and oil, and many other illegal imports.

However, the amount of smuggled goods or contrabands which have been seized accounted for a very small percentage of illegal imports and exports. The poor peformance in counter-smuggling are due partly to the fact that many agencies and localities are also engaged in smuggling or abetting smugglers. Counter-smuggling forces have not received coordinated assistance from sectors at all levels and have not had any effect on the chieftains of organized and armed smuggling rings.

Natural Disaster Control Committee Established

BK1201063091 Hanoi Domestic Service in Vietnamese 1100 GMT 11 Jan 91

[Text] On 7 January, the Council of Ministers issued a decision to establish Vietnam's National Committee for the International Decade of Natural Disaster Control abbreviated as IVNDC. The committee is composed of 23 members representing the various sectors of economy, technology, armed forces, public health, and foreign affairs, as well as some social organizations concerned.

The water conservancy minister is the committee chairman. The Council of Ministers' decisions specified that the IVNDC is charged with the following duties: coordinate with various agencies, mass and social organizations concerned, and scientific and technical research agencies to formulate programs, plans, and measures to carry out the task of controlling natural disasters in Vietnam; provide guidance for implementing various action programs for controlling natural disasters in Vietnam; and maintain relations with international organizations including non-governmental ones in order to intensify mutual cooperation in the fields of fighting and controlling natural disasters in our country.

Seminar Conducted on Radio, TV Broadcasting

BK1201101091 Hanoi Domestic Service in Vietnamese 1100 GMT 11 Jan 91

[Text] From 7 to 11 January 1991, in Hanoi, the editorial staff of the Voice of Vietnam Radio station with financial support of the International Program for Communication Development—PIDC—of UNESCO, held a seminar on the theme of broadcasting in Vietnam in the time of the information boom and television development.

Attending the seminar were the editorial staff members and leading cadres of the Voice of Vietnam Radio, directors and deputy directors of radio and television stations of 11 provinces and cities who represented all regions countrywide, and delegates of some agencies concerned. Chief officers of the Council of Ministers, the Ministry of Culture, Information, Sports and Tourism; the Central Committee Department of Ideology and Culture, and Vietnam Journalists Association, and the ambassadors and embassy representatives of Malaysia, Australia, France and Hungary attended the opening and closing sessions.

Mr. David Smith, United Nations Development Program representative in Vietnam, addressed and praised the seminar and asserted the efforts of international organizations to continually help Vietnam develop the communications sector.

Mr. Martin Hadlow, communication advisor to UNESCO in Asia; Mr. Geza Rybkad, dean of the International Journalist Institute, OIJ, in Budapest and Mr. Tham Seng Kit, assistant director general of Channel 3 Television of Malaysia, gave briefings at the seminar.

Through the five-day seminar, the delegates affirmed the position of broadcasts during the time of the information boom and vigorous television development. Broadcasting, particularly in Vietnam and in developing countries as a whole, still occupies the foremost position among the current mass media.

Many practical issues were discussed such as broadcasting in Vietnam to support national development, its real status, problems and various policies; the role of broadcasting in the era of information, current and future changes and challenges to communication tasks, radio after the year 2,000, the development of radio and televisions broadcasts in the next decade, and so on.

The participants in the seminar visited the installations of the Voice of Vietnam and Vietnam Television stations, and the Hanoi radio and television stations. The seminar asserted that despite many difficulties ahead, with the state's concern, and their zeal, creativity and spirit of international cooperation, Vietnam's radio and television stations will develop broadcasts to serve the renovation process and national construction.

Laws on High Income Bracket Taxation Published

BK1201070091 Hanoi Domestic Service in Vietnamese 1430 GMT 10 Jan 91

[Text] On 8 January, the offices of the National Assembly and the Council of State held a news conference in Hanoi to announce the laws on high income bracket taxes.

At the news conference, Deputy Minister Phan Van Vinh, on behalf of the Finance Ministry, briefly presented the basic contents of the laws. Taxation of high income earners is new in our state's legal system which aims to mobilize part of the income of those individuals with higher income to supplement the state budget and ensure social justice.

The laws on high income bracket taxation which are promulgated by the Council of State are composed of 8 chapters with 35 articles. They stipulate the definition of taxpayers, bases for tax computation, tax rates for Vietnamese and aliens with income in Vietnam, tax reduction and exemption, and so on.

The laws on high income bracket taxation will come into effect on 1 April 1991.

Minister Views Renovation of Capital Construction

BK0401102991 Hanoi Domestic Service in Vietnamese 1100 GMT 3 Jan 91

[Essay by Building Minister Ngo Xuan Loc: "Continue To Renovate and Intensify Capital Construction"]

[Summary] "Following the sixth party congress, the renovation of economic management in general and capital construction management in particular has produced initial yet important results. However, to continue eliminating state subsidies, fighting the waste of money invested in capital construction, and improving the results of constructive production, we are required to continue renovating our management mechanism in construction, amending, supplementing, and replacing those outmoded policies, laws, and regulations no longer suitable to the new mechanism."

The regulations on capital construction promulgated earlier were based on the experiences obtained from capital construction in the north and from the early years of economic construction under conditions where the country had just been unified. Consequently, "these regulations did not cover all sources of capital investment and economic components, did not fully reflect the principles of business accounting, and failed to promote self-financing in achieving growth. In the management of construction, we are still applying those administrative measures which advocate deeply interfering into the production and business activities of the grass-roots level."

In order to overcome the above situation, "on 7 November 1990 the Council of Ministers issued regulations governing capital construction management persuant to its ordinance No. 385-HDBT which deals with the amendments to, supplements to, and replacent of those regulations on capital construction management promulgated on 6 June 1981." Fundamental changes in the new regulations are made with the following factors taken into account:

—mobilizing all sources of domestic and foreign investment in capital construction.
—attaching importance to the results of capital investment and defining the responsibility for repaying the capital invested.
—investing money only in those projects with high economic and technical feasibility.
—regarding as a mandatory principle the recovery of capital invested.
—flexibly observing priority orders in capital construction.
—renovating the procedures of accepting bids for construction with attention to be given to eliminating the middleman practice.
—exerting strict control over construction cost.
—increasing state management over capital investment and construction with the emphasis placed on ensuring a fair system of rewards and penalties.

"To make it possible for the regulations on capital construction management to develop their full effect, the entire construction sector must, together with various echelons ranging from state management organs to those agencies in charge of surveying and planning production and business activities of the construction sector, uphold its sense of scrupulousness while seeking to understand and implement the new regulations within their areas of responsibility. Only by doing so can it actively contribute to renovating and strengthening the management of capital construction and attain the targets for construction output, quality, and results."

State Bank Governor on Role of Commercial Banks

BK1501153391 Hanoi Domestic Service in Vietnamese 1100 GMT 14 Jan 91

[Interview with Cao Sy Kiem, governor of the Vietnam State Bank, by station correspondent on the contents of the Council of Ministers chairman's decision on setting up a number of state-operated commercial banks and on the role of the board of management of the state bank; date and place not given—recorded]

[Summary from poor reception] [Correspondent] "The chairman of the Council of Ministers recently issued a decision on the establishment of a number of banks, such as commercial and foreign trade banks and so forth. Would you please let us know a few sketches about the functions and duties of these banks?"

[Cao Sy Kiem] "On 14 November 1990, the Council of Ministers issued a decision on establishing three state-operated commercial banks—namely the Vietnam Bank of Agriculture, the Vietnam Industrial and Commercial Bank, and the Vietnam Bank of Foreign Trade—and an investment and development bank known as the Vietnam Bank of Investment and Development."

The functions of these state-operated commercial banks involve conducting monetary and credit transactions and providing services for various economic components through the banking system. The bank of investment and development is responsible for amassing capital for long-term operations at home and abroad and securing capital from the state budget for use as loans to various economic and technical development projects or economic, monetary, credit, and banking service projects.

"As legal entities, state-operated commercial banks and the Vietnam bank of investment and development are allowed to handle profit-and-loss accounting independently and are provided with capital and regulations by the state." They also have the right of autonomy in financial affairs and operate within the framework of the banking regulations.

[Correspondent] "We have been informed that our state bank has just set up a board of management with its governor serving as chairman. Would you please tell us about the activities of the board of management?"

[Cao Sy Kiem] "The board of management of the state bank is composed of 10 members with the bank governor as chairman and the bank first deputy governor as vice chairman. Four of the board's members representing the Ministry of Finance, the Ministry of Trade, the State Planning Commission, and the State Commission for Cooperation and Investment. The other four members are experts on economic and monetary activities."

Since the duties and authority of the board of management have already been specified in the four regulations of the state bank, I only need to present an outline of its major activities. "First of all, to conform with the aim of intensifying the role of the state bank in monetary, credit, and banking activities, the board of management is duty-bound to concentrate only on studying and discussing matters relating to viewpoints and policies on the source of capital and monetary, credit, and banking activities."

Together with the government controller, the board of management will, on behalf of the state, regularly supervise the performance of various assigned duties by all units and organs of the state bank. "Thus, the board of management of the state bank not only serves as a controller or inspector, but also as an assistant to the governor of the state bank to enable him to satisfactorily perform his duties."

[Correspondent] Would you please let us know what the new measures of the state bank to help stabilize the present socioeconomic stituation are?

[Cao Sy Kiem] "First of all, we must continue to basically renovate the banking operational system in accordance with the spirit of the two banking regulations. This is an urgent and also a most important task." In the days ahead, our bank will concentrate on the management of monetary transactions among various banks.

Australia

Hawke Reaffirms Naval Commitment to Gulf Action

BK1701032291 Melbourne Overseas Service in English 0215 GMT 17 Jan 91

[From the "International Report" Program]

[Text] A short time ago Australia's prime minister, Mr Hawke, made an address to the nation. He reaffirmed Australia's naval commitment to the Gulf task force and Australia's support for the military action. He began by outlining his government's continued call for Iraq to withdraw from Kuwait:

[Begin Hawke recording] I told Parliament that Australia was prepared to make our naval task force available to serve with allied forces in operations authorized by Resolution 678 of the United Nations Security Council, should that become necessary. You will also recall that Resolution 678 authorized member states of the United Nations from 15 January 1991 to use all necessary means, including force, to uphold and implement the Security Council's previous resolutions—in essence, the unconditional withdrawal by Iraq from Kuwait. With profound regret, I must now inform you that the necessity which I foreshadowed in the Parliament five weeks ago has come about.

As a consequence, therefore, the Australian naval task force in the Gulf is now, with other members of the United Nations, cooperating in armed action to fulfill the United Nations resolutions to enforce the withdrawal of Iraq from Kuwait.

It has been my intention that Parliament, having endorsed the position I put on 4 December, should be given the earliest opportunity to receive a report from me should action be taken in line with that position. Accordingly, I have decided to recall the Parliament on Monday 21 January for two days so that I can make and allow debate upon such report.

My fellow Australians: I must emphasize from the outset, and it cannot be repeated too often or stressed too strongly, that this tragic necessity has one cause and one cause only, and that is the invasion and occupation of the nation of Kuwait, a member state of the United Nations, by Iraq on 2 August last year—more than five months ago. That was the act of war, and since that time we have sought by means of peace to reverse that act of war. Since that time the world community, working through the United Nations with a unanimity, a strength and a unity of purpose without precedent in history, has demanded that the Government of Iraq withdraw unconditionally its Armed Forces from Kuwait. Twelve seperate resolutions of the United Nations have been aimed at achieving that result. Since August governments of the member states of the United Nations have worked unremittingly to persuade Saddam Husayn to comply with the will of the world community and to end the crisis that he alone provoked.

Literally at the 11th hour, with the positive support of the allied nations and in particular with the support of the President of the United States, the secretary general of the United Nations went to Baghdad to make a last appeal for compliance, a last plea for peace. Like every other initiative undertaken within the framework of the United Nations resolutions, it was rejected with contempt and met the same uncompromising refusal to do the one thing that the world community agrees he must do—give up the nation he has seized and crushed. That is why Resolution 678 of the United Nations Security Council has now come into effect and that is why I have directed the Australian naval task force to participate in the operations authorized by that resolution.

My fellow Australians: So momentous a decision must be placed, as indeed it has been taken, in the broadest context of the future, not only the future of Kuwait, not only the future of the Middle East but in the context of our future vision of a world striving for peace and freedom. And our decision is based on five grave considerations:

First, there is a fundamental principle without which there can be neither peace nor freedom—the right of every independent nation not to be invaded, not to be the victim of aggression, not to be destroyed;

Second, we act with the commanding moral authority of the United Nations. Never in its 45-year history has the United Nations worked so effectively and unitedly to fulfill its charter and the principles of peace and of security it embodies;

Third, we have reached this decision only at the end of a process without precedent in history. There is no parallel for the restraint, the patience, and the caution with which the world alliance against Saddam Husayn has sought by peaceful means to resolve this conflict;

Fourth, the decision has a clear ansd achievable goal—to end the aggression as a necessary step toward establishing the conditions for peace and stability in the Middle East;

And finally, there is a wider purpose behind our decisioon. It is a purpose implicit in everything that has been done by the United Nations since last August. That purpose is to further the great quest for a new world order of peace, security, and freedom; to fullfill the hopes and opportunities springing from the end of the confrontation between the United States and the Soviet Union. Indeed, I believe that at the bar of history there will be no greater condemnation of Saddam Husayn than that his aggression has plunged the world into a terrible and needless crisis which threatens the world stability upon which these splendid hopes depend.

My fellow Australians: I know that the overwhelming majority of Australians will share my regret, indeed much deeper than regret, at the need for this decision. We all of us wish for peace, but we cannot have peace just by wishing for it or just by talking about it. We have to work for it and sometimes, tragically, we have to fight for it. The great lesson of this century is that peace is bought at too high a price if that price is the appeasement of aggression.

I know that you all, with me, will feel that our first thoughts today go to the 884 of our fellow Australian serving men and women most directly affected by this decision. We have three ships of the Royal Australian Navy serving in the Gulf: HMAS [Her Majesty's Australian Ship] Sydney, Brisbane, and Success. Our thoughts go to these ships' crews, to the medical teams serving on the hospital ships, to the logistic support team in the region, and to the Australians serving on exchange with other allied forces in the Gulf.

War is terrible uncertainty. We cannot foretell what will be demanded of our serving men and women, but we can foretell how they will meet those demands. We are confident of their skills, we are grateful for their devotion. We know that they will serve bravely and well and we hope above all that they will return safely home. [end recording]

Opposition Supports Naval Force

BK1701075691 Melbourne Overseas Service in English 0700 GMT 17 Jan 91

[Excerpts] Australia's prime minister, Bob Hawke, has told the Australian people that he has authorized the use of Australia's naval force in the Gulf to undertake combat operations against Iraq and he said although the parliament has been recalled to debate the situation, his government policy would not be changed. [passage contained in referent item omitted]

The major opposition parties have declared their total support for the prime minister. The leader of the opposition coalition parties, John Hewson, say they stand firmly with the government in defending the integrity of the United Nations. He said war was horrific and wasteful, but sometimes could not be avoided. However, the leader of Australian Democrats, Senator Janet Powell, said she is sickened by the outbreak of fighting and the government's decision to commit Australian forces to the conflict.

News of the start of hostilities sparked demonstrations in most major cities. In Melbourne, demonstrators clashed with police who dragged several protestors from the walls of the Army's Victoria Barracks.

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Mitsukuni Tokugawa, and were called Tsuke and Kaku by him, [the names of Mitsukuni Tokugawa's loyal retainers] but former Transport Minister Shiokawa is too old.

In the Miyazawa faction, while former Science and Technology Agency Director General Yohei Kono, General Council Chairman Takeo Nishioka and Defense Agency Director General Koichi Kato are of promising rank, speaking from the aspect of political funds, Kono's "Ikuyo Social Gathering on Politics and Economics" (representative: (Takeshi Ketsu nan), 3 Nishi Shimbashi, Minato-ku, Tokyo) had an income of "Y34.07 million" and the "Somu Study Group on Politics and Economics" (representative: Tetsuro Kimura, 2 Azabu, Minato-ku, Tokyo) had income of "Y65.55 million."

In contrast to this, former Defense Agency Director General Kato's "Study Group on Social Planning" (representative: Yukio Muto, 2 Marunouchi, Chiyoda-ku, Tokyo) is collecting "Y185.22 million." Although former Defense Agency Director General Kato is higher in terms of the amount of money, former Science and Technology Agency Director General Kono is superior in terms of popularity, so right now it is difficult to decide which of them will become the leader of the faction. Furthermore, Labor Minister Yamaguchi of the Watanabe faction is not using a political funding organization regulated by the Ministry of Home Affairs, but an organization regulated by Saitama Prefecture, so it is difficult to grasp his actual financial strength. But all views hold that he has sufficient real strength to lead a faction.

In any case, it probably behooves us to learn in advance that political contributions can allow politicians, themselves, to develop, and also can be the ruin of them.

Firms Focus on Indonesia as Production Base

912A0066A Tokyo SEIJI TO KEIZAI in Japanese Nov 90 pp 24-29—FOR OFFICIAL USE ONLY

[Article by Akio Iwabuchi, economic journalist]

[Text] **Indonesia Shows Vitality**

The crisis in the Persian Gulf has dramatically changed the global energy situation, hitting hardest the non-oil producing countries on the road to economic development. The "newly industrializing economic societies (NIES) of East Asia, South Korea, Taiwan, Hong Kong, and Singapore are the emerging powers of the 1990's. However, last year the rate of growth in these economies began to level off, and the current crisis in the Middle East has slowed growth even more.

In response to the success of the NIES, attention has shifted to Thailand, Malaysia, Indonesia, and the Philippines—all members of ASEAN. Japanese firms have shifted their manufacturing focus from the NIES ,where wages have continued to rise, to the ASEAN states. In

However, Thailand is already becoming saturated, while wages in the NIES continue to rise. Despite this situation, Japanese firms will continue to place their manufacturing focus on Southeast Asia, because it is a source of cheap labor. This global management strategy will continue for some time to come.

In response to the Persian Gulf crisis, Japanese firms have accelerated their plans for basing manufacturing facilities in Southeast Asia.

Because of the large number of Japanese firms pursuing a global production strategy, attention has shifted from Thailand and Malaysia to Indonesia.

I recently had a chance to visit Manila. From there, I went on to Jakarta, Indonesia, which is the focus of Japanese corporate activity at the present time. This trip took place in the middle of September, only one month into the Persian Gulf crisis.

In Manila, there was no life in the streets. I was under the impression that this was the case because of political unrest. Compared to my first visit to the Philippines during the Marcos regime 12 years ago, the country seemed to have declined dramatically. I was left with a greater appreciation for the enormous problems facing the Philippines and the Aquino administration.

Jakarta could not have been more different than Manila. The city is the capital of Indonesia, an oil-producing nation and OPEC member. All over town, high-rises are springing up, as Jakarta experiences a building rush. The manager of a consulting company that I interviewed in Manila said that Jakarta was undergoing a construction boom, and I think that the term "boom" is very apt.

Indonesia has lagged behind other nations in terms of economic development, and the gap between the rich and the poor is great. Compared to Japan, its communications network has deteriorated to the point where it is practically nonexistent, and the country is plagued with a host of other problems. However, it is undeniable that Indonesia is finally beginning to ride a wave of rising prosperity.

High Yen Leads to Development of Southeast Asia

Japanese firms at the close of World War II aimed at turning Japan into a nation of commerce. Japan, which was poor in natural resources, would import raw materials, produce manufactured products, and then export them to overseas markets. The big revenue earners in the 1960's were heavy industrial products such as steel and ships.

In the 1970's automobiles and consumer electronics became the big revenue earners for Japan. However, because these products infiltrated world markets in wave after successive wave, trade friction developed with the

Trade friction began with black-and-white television sets and later spread to color televisions. In order to circumvent export restrictions to the vital American market, Japanese color television makers had to set up local production facilities.

The export of automobiles to Western Europe and North America, like color television sets, set off another round of trade friction. Automobile manufacturers adopted voluntary export restraints. In the 1980's, these car makers were forced to establish local manufacturing facilities in the United States, joining the color television manufacturers. They even had to establish local plants in Europe.

The establishment of local manufacturing facilities in the United States did nothing to curb trade friction. There were many incidents in which local manufacturing facilities were established before trade friction occurred. This was the case with household appliances such as electric fans and washing machines.

Local manufacturing began in Southeast Asia back in the 1960's. Local production facilities appeared early in Taiwan, Hong Kong, and Thailand. However, until the mid-1980's, these plants belonged almost exclusively to consumer electronics makers. In the eighties, all sorts of manufacturers began to set up shop in the NIES and ASEAN countries.

The reason for this activity was a meeting held by the finance ministers of the G-5 nations in September 1985 at the Plaza Hotel in New York. They agreed that they would "tolerate a weaker dollar and a stronger yen."

After the Plaza Accord, the dollar began to weaken and the yen began to strengthen. Just before the finance ministers of the five largest industrialized nations met in New York, the yen was fluctuating in the 240-250 range against the U.S. dollar. That September the yen began to strengthen, but closed at 236.915 yen to the dollar for the month.

However, after the meeting the yen began a dramatic rise. The yen got stronger and stronger, closing out the year at 160.1 yen to the dollar. Quality remained high, but the rise in the yen began to erode the international competitiveness of Japanese products. Japanese manufacturers quickly adopted new measures to deal with the rapid appreciation of the yen.

In response to this situation, the corporate strategies of the automobile and consumer electronics industries, the big export revenue earners, slowly began to take different directions.

Automobile manufacturers stepped up local production in the vital U.S. market, and laid out plans to start local production of cars in Europe to coincide with the integration of the European Community in 1992. However, these companies continued their old policy of exports as usual to markets in Southeast Asia.

The electronics industry began to manufacture products that were a major source of trade friction—color televisions, VCR's, CD players, semiconductors, communications equipment, and computers—in major overseas markets. In this way their strategy mirrored the automobile industry.

However, they also began to manufacture low-end consumer electronics products in the ASEAN countries. These low-end products include low-density semiconductors and low-priced audio equipment. In most of these cases, the technology involved had already been long established.

A big reason for this shift was that many of these East Asian currencies were linked to the dollar. When the yen began to rise against the dollar after the Plaza Accord, many of these nations became more attractive to Japanese manufacturers.

Wages in the ASEAN nations that had been only a fraction of the Japanese rate became even cheaper because of the high yen. Many manufacturers decided to take advantage of these lower wages and produce low-end products there, thus maintaining their international competitiveness despite the high yen. For this reason, Japanese firms rushed into the ASEAN countries to establish operations.

Thai Boom Comes to an End

In response to the high yen, Japanese firms initially focused their attention on Thailand. Located on the Indochina Peninsula, Thailand has an exceptionally stable political climate. Because it is a Buddhist nation, and because of other cultural factors, Japanese firms believed that they would fit in better in Thailand.

Bangkok, the capital city of Thailand, is the home of hundreds of branch offices for Japanese firms, and is swarming with Japanese.

In a relatively short period of time, Japanese consumer electronics makers have added new product lines to their manufacturing facilities in Thailand, and have expanded the overall scope of their manufacturing activities. These Japanese manufacturers are not making products solely for the domestic market in Thailand. They are exporting low-end products to Europe and North America and are also exporting products from Thailand to Japan.

Because the Thai baht has remained linked to the dollar even after the Plaza Accord, its rate against the yen has become even cheaper. Thus, manufacturing in Thailand price-wise has become much more competitive in world markets than manufacturing in Japan. For this reason, the investment rush in Thailand on the part of Japanese firms has continued.

Furthermore, like Japan, the NIES have been embroiled in trade disputes with the United States. Since the summer of 1989, the United States has been putting pressure on the NIES countries to uncouple their currencies from the dollar.

Japanese firms fled South Korea and Taiwan when their currencies were uncoupled from the dollar, and focused their attention on Thailand. Even Korean firms have gone to Thailand, adding more impetus to the investment boom there.

However, as a result of continuing investment there by Japanese and Korean firms, wages in Thailand have begun to rise, and the attractiveness of Thailand as a manufacturing location has been somewhat diminished. Because of this, Japanese investment in Thailand has slowed down.

Political Unrest Continues in the Philippines

After the Plaza Accord, the Philippines were equal with Thailand as a focus for investment by Japanese firms.

Modernization at a feverish pace in Singapore, one of the "newly industrializing economies," had led to high manufacturing costs. The city-state ceased to be attractive to Japanese firms as a manufacturing base.

Japanese firms began to give more attention to Singapore's neighbor, Malaysia. The country became a manufacturing base equal with Thailand, but the Malaysian economy could not maintain low enough wages for growth to continue. Wages rose with each new wave of Japanese and Korean firms that came to Malaysia.

Thus, the only two remaining ASEAN nations that could become low-wage bases for manufacturing were Indonesia and the Philippines.

A glance at Philippine history shows that it has been profoundly influenced by Spain and America. The influence of America on the Philippines has been especially strong since the end of World War II. Its educational system is based on the American model, and its principal languages are English and Tagalog.

For Japanese firms, the ability to do business in English is extremely attractive, but very few of our companies want to set up manufacturing operations there.

A good example is Uniden, a major manufacturer of communications equipment Uniden developed the transceiver, and is a leader in cordless telephones. Its success can be attributed to its unique management strategy.

By the 1970's, only its headquarters and R&D division were based at home in Japan. The company stopped manufacturing products domestically, and moved its manufacturing base offshore. Its overseas manufacturing base was originally in Taiwan and Hong Kong, but after the Plaza Accord, it shifted its focus to the Philippines and China. The company was looking for a low wage country, and as Chairman Hideyoshi Fujimoto said, "We found the Philippines to be very attractive because it was part of the English-speaking world."

However, the Philippines never became a large-scale manufacturing base for Uniden.

Matsushita Electric and other companies began to move into the Philippines for a short time around 1967, but political instability there brought investment to a standstill.

While I was in Manila, another coup d'etat was attempted. The director of a consulting firm whom I was interviewing at the time said, "Coup d'etats occur all the time, but I predict that the Aquino administration will somehow hold on until 1992."

During a coup attempt by the Philippine Army at the end of last year, the Makatee Building in Manila's business district was shelled by tanks. It still bears the scars of that attack.

The Philippines must import most of its oil. The amount of oil that it imported from Iraq and Kuwait made up 23 percent of its overall total. The Aquino administration has been scrambling to make sure that the country has enough oil to meet its needs.

In addition, the wages that Filipino workers used to earn in Kuwait and send home to the Philippines have been interrupted by the crisis, and that has had a profound effect on the economy.

Last year, inflation hovered around 13 percent in the Philippines. On 21 September it was announced that gasoline prices would jump 27 percent, and an overall 20 percent rise in consumer prices is anticipated. Bringing inflation under control has become an issue. Right after the Persian Gulf crisis occurred, the government revised its prediction for growth in the gross national product (GNP) downward, from 6.5 percent to 3.8 percent. However, the consulting firm predicted that growth "will drop to the 1 percent level."

Interest in making capital investments in the Philippines has ebbed, with overseas investments from Japan, the United States, South Korea, and Taiwan all but grinding to a halt. The consultant whom I interviewed said that the Philippines had potential in the computer software field. "The cost is a fraction of what it would be in Japan. We are getting offers to develop computer software for the English-speaking world." Although the Philippine economy is depressed, he boasted of high growth.

These kinds of businesses are the exception in the Philippines. Rumor has it that significant amounts of capital owned by Overseas Chinese interests in East Asia have already been taken out of the Philippine economy and transferred overseas.

Although Japanese firms find the idea of working with English-speaking Filipinos attractive, a manufacturing base in the Philippines does not make sense at this time.

After bypassing the Philippines, Japanese interest has finally centered on Indonesia.

High Growth in Indonesia

We took off from Manila airport at dusk and headed for Jakarta. I flew Garuda Airlines. Because the air conditioning unit was inoperative, it was very warm inside the plane. Everywhere I looked, passengers were using pamphlets as hand-held fans. The back side of my journalist note pad was ruined, and became useless and it finally fell apart.

I was not at all prepared for the trip. I worried about the condition of the engines, but somehow or other we landed in Jakarta safely. The airport itself is about one hour from the city of Jakarta by car, and the roads are in good shape.

However, after 20 minutes in a car I became disgusted by what I saw. Here and there along the road were gate-shaped billboards bearing advertisements. Nearly all of the company names on these billboards belonged to Japanese firms. The billboards along the side of the road were nearly all the same. I was under the impression that the road from Jakarta airport to Jakarta itself was the property of Japanese companies.

In the 1970's, billboards selling products made by Japanese firms began to sprout up overseas. Japanese firms seem to insist on these billboards, even depend on them. Today, these billboards are all over places like New York and Los Angeles. One might even say that they are overused. I felt the same way about the road from Jakarta airport to the city, and I found it unsettling.

No one knows the exact population of Indonesia, but it is somewhere in the neighborhood of 170 to 180 million people. Jakarta itself is a sprawling metropolis with a population of about 8 million.

I arrived in Jakarta after nightfall, so I couldn't make out the physical appearance of the city. However, the next day when I set out to conduct an interview, Jakarta reminded me very much of Tokyo. Buildings were going up all over town, and a high-speed expressway was under construction.

I interviewed a manager at a Japanese firm, who was quite enthusiastic about the wave of activity. "The economy began to take off about two years ago, but the boom did not occur until the end of last year."

Since Indonesia is an oil-producing nation, the majority of its export earnings were oil revenues. That is, until recently. Now, oil makes up only half of all exports from Indonesia. The domestic economy has been experiencing high growth because of the export of shrimp, wood products, and manufactured goods. Last year the GNP expanded by 7.8 percent, and this year's growth rate is expected to top 7 percent.

Japanese Firms Have Favorable Business Results

The arrival of Japanese manufacturing firms has led, in large part, to the high growth rate of the Indonesian economy. Up until a few years ago, the business results of Japanese firms in Indonesia were in dire distress because of sluggish domestic demand.

However, the situation has changed dramatically within the past two years as the economy caught fire. Japanese firms operating in Indonesia have created a social organization called the Japan Club. Of the 100 companies that belonged to the club last year, 98 of them turned a substantial profit. Last year, many of these companies swept away 15 years of mounting losses.

The high-growth Indonesian economy has even attracted the interest of Japanese firms who are not yet operating in the country.

Wages in Jakarta are on the same level as Manila, perhaps a bit lower. However, real estate prices along principal streets in Jakarta have been rising over the past several months because of the overheated economy. Rent in some of the new building has gone up as much as 20-30 percent. There are new concerns over inflation, but Japanese firms continue to set up shop in Indonesia at the same pace as before.

Japanese nationals, apparently here to do business, are everywhere present in the hotels. There are three reasons why Japanese firms find Indonesia attractive.

First, the government has relaxed its regulations. Take for example the banks. Until recently, only the Bank of Tokyo had been allowed to operate in Indonesia. Recently, however, the doors were thrown open. Now, Fuji Bank, Tokai Bank, Sumitomo Bank, and the Industrial Bank of Japan all operate in Indonesian.

Second, the international climate has influenced their decision. Japanese firms have a long-term interest in the huge Chinese market, but they are moving into China very cautiously in the wake of recent student unrest. Beijing recently held the Asian Games, but the climate is still not favorable.

As mentioned earlier in this article, the Aquino administration is very unstable, and the spectre of a coup d'etat hangs over the Philippines. Wages are rising in Malaysia, and Thailand is saturated. In the region, only Indonesia offers any advantage to firms wishing to set up overseas manufacturing operations to offset the effects of the high yen.

Third, Indonesia is politically stable. Indonesia was a Dutch colony for a long time. In 1942, it was occupied by Japan. Three years later, Indonesia declared its independence, and Sukarno was inaugurated as president.

However, in 1967 Sukarno was overthrown, and the Suharto administration was established. Suharto had the backing of the army which had just crushed the Communist Party. Since then, the Suharto administration has supported a powerful 4.12 million man army, and has been able to maintain political stability. For Japanese firms, political stability has been a major factor in their decision to set up manufacturing operations in Indonesia.

Long-Term Political Stability and Telecommunications

Although Indonesia is a member of ASEAN, economic growth has been slow in coming. However, it is in a fortuitous position as the only nation left in East Asia with an abundance of cheap labor. Because of this, it can look forward to a continuing influx of Japanese, Taiwanese, and Korean firms. However, sustained economic growth has led to a few problems.

First, the people of Indonesia are growing tired of Suharto, who has been in power for five terms, or more than 20 of about 15 family units after the price reduction, payments of about Y938 million (tax included) will be collected during this month, giving the company some relief.

Condominiums are normally parceled out six months to more than a year before completion of the building, but as an indication of the tight market situation, Mr. Miwa stated: "With the establishment of cheap prices that will make completed sales possible on the same day, today the family units are finally being sold out before the completion of the building."

Shoji Kakuta, director of the Real Estate Economic Research Institute, stated: "During the slump in the first half of the 1970 decade and in the first half of the 1980 decade, the common practice was to reduce prices six months after completion of the building." Simply reducing prices led to the possibility of consumers losing faith in the prices established up until then. But the situation is acute because now the company no longer operates at an easygoing pace.

Bankruptcies Occurring at a Pace Exceeding Last Year

According to statistics compiled by the Imperial Data Bank, a nonofficial research agency, 645 companies went bankrupt (total liability of more than Y10 million) during the month of October, and for the first time in five years and 10 months, the number exceeded that for the same month last year. Of this total, the number of bankruptcies in the real estate industry, centering around the medium and small entrepreneurs, was 27 companies, which is the third time with a high level for this year. Bankruptcies up until October totaled 225 companies and at this pace, the total for this year will exceed last year which had a total of 262 companies.

In late October, the Olympic Co. (main office in Tokyo; president: Shoichi Ito), which is engaged in condominium development principally in the Tokyo Capital region, submitted a petition for composition with the Tokyo District Court and received an order to maintain property. Its total liability was Y24 billion and this was its fourth application. Because of poor sales and finance regulations, it was pressed for the collection of funds. In the case of this company, the total sales for the period ending March 1990 was Y2.686 billion while its loans were slightly under Y20 billion.

Even Major Real Estate Companies Pressured by High Interest Payments

Interest liabilities on loans, as a result of high interest rates, are pressuring even the major real estate companies. During its midterm settlement in September, the Mitsui Real Estate Development Co. realized that the balance of its long- and short-range loans and bonds totaled about Y1,100.6 billion. Its interest payment is about Y26.8 billion which is an increase of about Y6.8 billion from the payment for the same period last year.

Interest payment for the Mitsubishi Estate Co. is about Y18.2 billion (an increase of about Y7.1 billion from the payment for the same period last year) and that for Sumitomo Realty and Development Co. is about Y16.7 billion (an increase of about Y6.8 billion from the payment for the same period last year), which showed an increase for both firms. Because of the rise of interest rates, interest payments will all the more be greater than earnings for the entire fiscal period.

The triple handicaps are suppression of funds, no sale of land or condominiums and the inflation of interest payments on loans. In the midst of medium and small enterprises going bankrupt, Tetsuro Aki, president of the Tokyu Land Corporation, emphasized his sense of caution by saying: "Even the major real estate companies cannot remain complacent. Operational leadership should be errorlessly conducted and moves should be cautious for the present."

[23 Nov 90 p 11]

[Report by Takenouchi, staff writer]

[Text] Junichiro Tanaka, president of the Mitsui Real Estate Development Co., stated: "Our branch offices have been instructed to be judicious in the purchase of land for condominium development. There is no need to purchase land hastily. Wait patiently and land will be available." All the major real estate companies are taking advantage of this recession and are eagerly waiting for land that is being dumped by the dominant as well as medium and small real estate companies.

Sudden Increase of Cash on Hand Balance

Concerning the midterm settlement for the period ending March 1991 for both the Mitsui Real Estate Development Co. and Sumitomo Realty and Development Co., attention was drawn to the sudden increase of the balance of cash on hand and the deposits. The balance at the end of September was about Y49.5 billion for the Mitsui Real Estate Development Co. and about Y69.8 billion for the Sumitomo Realty Development Co., and in either case, the increase was three times the amount for the end of March.

The Sumitomo Realty Development Co. increased its liquid assets on hand by about Y47.7 billion, part of which was short-term loans recovered from its subsidiaries, and the Mitsui Real Estate Development Co. increased its liquid assets on hand by about Y32.7 billion, part of which was Y30 billion worth of Euro-yen bonds that were issued in June. Amid the worsening operational environment, some optimism was shown as when Mitsuaki Shiozaki, a director of Sumitomo Realty and Development Co., stated: "Investments for the lower half of the period will be basically funded by assets on hand."

The sluggishness of the real estate market, in another sense, signifies the "arrival of the time to purchase." During the real estate boom that continued for about five years, sudden growth companies cropped up to threaten the position of the major real estate companies. For the major companies, which had been displeased at the rapid

progress of the newly established companies, the opportunity to recover their lost territory is now, during the recession.

Dominant Companies Releasing Their Land Holdings

It is true that the dominant companies, burdened with interest payments, have begun to release their land holdings. Maruko Co., the largest major developer of one-room condominiums for investment purposes, has decided to dispose of its holdings worth about Y20 billion, which is centered on land purchased for condominium construction.

Because of such factors as the rise in loan interests or the removal of the seasonal tax effect in condominium investments, which is contained in the land tax reform proposal, the sale of condominiums for investment purposes dropped suddenly. And as Takafumi Inoue, president of Maruko Co., stated: "We will take action before the collection of funds worsens," the company quickly changed over to reduced operations.

Not only Maruko Co., but even sudden growth companies have huge loan balances. Because the dominant as well as medium and small enterprises can no longer endure the burden of interest payments, the day of releasing land holdings, resignedly at a loss, is imminent. "We shall save our money in preparation for that day"—this sort of design can be gleaned from Mitsui and Sumitomo's settlement of accounts. The battle for survival of the fittest will advance in the thick of the recession.

Even while aware of the designs of the major real estate companies, the dominant companies as well as the medium and small enterprises, as of the present, have their hands full in trying to sell off their remaining unsold units. They are taking a conservative stance, as when Mitsuharu Kato, president of FRC Co., stated: "For the time being, we will collect fees as trustees in the marketing of condominiums owned by other companies."

During the skirmish between the major companies and the medium and small enterprises, changes in operational policies were born. Real estate companies have begun to change to the "method of expanding their operations without purchasing land." The trump card is operational trusteeship. The modus operandi for land utilization is proposed to the landowner, then the building which is built with funds raised by the landowner is leased in toto and the difference between the income from the units subleased to other companies and the lease payment to the landowner is the real estate company's margin.

Even in this aspect of business, the major real estate companies are the forerunners. The Mitsui Real Estate Development Co. reported the earnings from operational trusteeship separately from other income, such as lease income and lot sales, in the profit and loss statement, for the first time in the current midterm settlement. The sales for this category in the midterm settlement is about Y28.2 billion, which is an increase of 17.6 percent from the sales for the midterm settlement of the previous fiscal year. The sales percentage is 9.7 percent, which is 0.8 point higher than the previous midterm settlement. The advantages [of operational trusteeship] are minimizing investment risks and gaining stable income.

Just as Yasukichiro Mori, president of Mori Building Co., stated that: "The concept that redevelopment, together with other landowners, is more advantageous has taken root," the awareness of landowners has changed, and thus the opportunities for joint enterprises have increased. Hereafter, the ability to plan and propose will probably become even more important in the operations of real estate companies.

It can be said, as Tetsuro Aki, president of Tokyu Real Estate Co., remarked, that: "Landowners are subjected to nothing but disadvantageous measures, such as, beginning with the New Land Possession Tax, the land tax reform which is presently being reviewed. Even the operations, which had been practiced up to now, are being pressured for a reappraisal."

Opportunity for Newly Established Companies

But during a recession, newly established companies are afforded the golden opportunity to advance. During the housing recession in the first half of the 1980 decade, Recruit Cosmos Co. aggressively purchased land released by other companies and subsequently built its wide base. Although successful as a major condominium developer, this same company is now in the position of being pursued.

"Now is the chance, that comes once in 10 years, to purchase land. Today, only the troubles of the real estate industry are surfacing, but companies which will seize this opportunity and succeed will definitely appear." So said Masanobu Yoshimura, president of Apex Co. (home office in Tokyo) who, after resigning from a condominium sales company, established in October a contracting company that serves as an agent in marketing condominiums. He is utilizing the recession as a springboard and is eagerly seeking an opportunity for growth.

And like the once successful Recruit Cosmos Co. and Maruko Co., a great possibility exists hereafter for the emergence of companies to become successfully established in the industry. When this recession is over, newly established companies will have risen to power and a realignment of the structure of influence in the real estate industry is a possibility.

Forecast for Domestic Economy in 1990's

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[Article by Nomura Search managing director, Yoshimitsu Tamao]

[Text] **The Evolution of a Mature Creditor Nation**

Since the beginning of the year, there have been major adjustments on the Tokyo Stock Market. During this time, various theories have been advanced, proposing that Japan is in its twilight years. Though these extremely pessimistic observations about the future of the Japanese economy, previously thought to be indomitable, represent the views of only a few, they do exist. It is of vital importance to scrutinize Japan's situation in the 1990's, in order to determine whether such pessimism is warranted.

We have examined Japan in terms of the most important themes, and attempted to provide an overview of the 1990's, combining an objective forecast supported by analysis, and a historical outlook. There will be no change in the status of Japan, now in its maturity, as a creditor nation. However, public spending in the amount of 430 trillion yen will have widespread effects. Numerous regional development projects are likely to result, and requirements for third-sector [joint public and private] financing should increase. The trend in the first half of the decade domestically will be toward improving the infrastructure and, overseas, progress in economic and capital flow. The Tokyo capital market is likely to be strengthened.

Resistance to Energy Crises and the International Competitiveness of Japanese Corporations

The Tripartite Structure and the Iraqi Incident

The fact that Europe will have a great influence on the world has been cited as one of the megatrends of the 1990's. As we approach the 21st century, we are witnessing the formation of a new world order. A strengthened Europe is acting as a further impetus in that direction.

The tripartite structure is acting as a shaper of "one world," and centripetal force has increased within each "part." Unlike the bloc economics, which surfaced in the 1930's, the current blocs are constructive ones, intended to create a single world order. They are all connected via capital and resource networks. This phenomenon has been reconfirmed by the destruction of the Berlin Wall and the current Iraqi incident.

The current Iraqi incident will not sweep away the megatrends of the 1990's. Rather, it can be interpreted as a dispute (the self-assertion of a region which has been left behind by the tripartite system) which was bound to arise in one of the regions within the tripartite world, in which the system of responsibility had not been clearly delineated, and which broke out, catching the world unawares, in a period of flux during the formation of a new order.

Increasing Dependency on the OPEC

Nations, let us take a look at the Iraqi incident and crude oil prices, in terms of the situation at hand.

Even if we ignore, for a moment, the implications of the Iraqi incident, when we contemplate the future of oil prices, we must accept as objective fact that once again, the free world's dependence on the OPEC nations has increased. We must recognize that the OPEC nations are approaching a production rate of 90 percent, and that the price of crude oil could easily rise. At the same time, we estimate that, in 1993, dependence on the OPEC nations will once again exceed 50 percent.

We must, though, point out the major difference between the current crisis and the two previous oil crises, namely that now there is much more flexibility, in terms of the number of days' worth of oil reserves on hand, and that there is no quantitative urgency. What is now important, in light of the current situation, is to determine at what level crude oil prices will stabilize.

Factors behind the Strong Resistance of the Japanese Economy

Let us begin our examination of Japan in the 1990's with a look at the energy problem.

A comparison of the current crisis with the first and second oil crises shows that the Japanese economy has grown more resistant with each crisis. Our prediction is that Japan will be able to maintain an economic growth rate of around 4 percent in FY91, and that current account trade balances will remain heavily in the black.

We will now mention three factors which have provided Japan with such strong resistance.

First, the industrial structure has become resistant to increases in the price of oil, i.e., tertiary industries have evolved, which have a low dependency on oil, and processing industries have increased in importance. Even in the raw materials industries, which depend heavily on oil, energy output has decreased significantly.

Second, technological innovation has been a major contributing factor. For instance, high value-added products, which have spurred semiconductor technology, have a high energy-saving rate. In other words, today's Japanese industrial society is capable of adding a considerable amount of value without increasing the quantity of energy consumed.

Third, progress has been made in the development of new energy sources. Cogeneration, fuel cells, and geothermal energy are already within the realm of practical use. Work on new technological development and lower-cost production of such items as solar cells is proceeding toward the 21st century at a feverish pitch. As the cost of solar cells decreases, their range of application will extend from calculators to independent power sources for isolated islands. They may even be used as a source of electricity for residences in the latter part of the decade. We are no longer dreaming when we envision, in the year 2000, the cost of solar cells reduced to the point where they are competitive with existing sources of electric power, and our lives are made more pleasant by "clean" solar energy which supplies electricity to our homes.

The Growing Trend toward the Bipolarization of Japanese Corporations

The second item which we will examine is the competitiveness of Japanese corporations.

In the 1990's, Japanese corporate structure is likely to move toward bipolarization. Large corporations will become more global, and there will be an abundance of mid-tier corporations which act as a mainstay in the 21st tions accounted for approximately 22 percent of the total, or 111 firms, in 1989, though only 34 firms made the ranking in 1965. This is clear evidence of the emergence of a tripartite structure (Japan-United States-Europe).

There are an increasing number of fields which use hardware technology based on mass-production technology, where Japan is far ahead of the United States and Europe. Typical examples are semiconductors, an area in which Japan already holds a 40 percent share of the world market, and NC machine tools, where Japan holds a 50 percent market share.

The instances cited above show Japan's strength in products, but the same could be said for Japan's strength in terms of money and information technology. A comparison of the trend in the internal financing capability of Japanese and American listed manufacturers shows that, very recently, Japanese firms have surpassed American firms, with equity capital of 37 percent. Equity stakes exceeding 100 percent are becoming quite common, and are lending support to the opinion that there is no reason to fear a serious slump in capital investment.

The Rise of Mid-Tier Firms

Let us look at corporations from a global viewpoint.

A sorting-out process, based on "competition and harmony," is evolving, so that Japanese firms now lead in hardware-led areas, while the strength of American firms lies in software and systems. If we take electronics as an example, with the exception of the family computer (an area in which business development is possible, using the same methods as for household appliances), Japan and the U.S. hold equal shares in the market.

Next, let us look at mid-tier firms. Recently, the activity of firms traded over the counter has been attracting attention. These mid-tier firms have responded aggressively to changes in the environment, and are in the process of making management reforms.

Major trends in this management reform are: (1) the transformation of family businesses to corporations, (2) the nationalization of local businesses, (3) metamorphosis, (4) the creation of unique markets, (5) life enrichment, (6) doing away with regulations and traditional business practices, and (7) neo-networking.

This sort of forward-looking management system does not exist in large corporations, and would be impossible for them, but it has proved successful in opening up niche

Association of Securities Dealers Automated Quotations], and the pace may accelerate to 200 firms per year.

Enriching Social Capital and Responding to Liberalized Financing

The Fate of the Land Problem

We will now turn to the next phase of our examination, enriching social capital.

We should first focus our attention on the fate of the land problem. This is a problem which cannot be omitted in an analysis of the Japanese economy in the 1990's.

The abnormal skyrocketing of land prices might be regarded as hypertension of the Japanese economy. What effect is this hypertension having on hardening the arteries of the Japanese economy?

First of all, high land prices have prevented corporations from acquiring new sites, thus lowering their competitiveness. They have become a barrier against foreign companies wishing to enter the Japanese market, and a source of economic and investment friction.

Moreover, they have affected the lives of individuals. Not only have capital gains caused by the rise in the value of assets surpassed earned income, creating a further gap between the "haves" and the "have nots," but they have diminished the will to work, giving rise to concern about the possible stagnation of the Japanese economy. Furthermore, when land prices rise, the majority of funds allocated for public works is eaten up by land costs, preventing the flourishing of social capital.

However, in the past two or three years, land policies have clearly changed a great deal. In the area of finance, several directives dealing with land-related financing have been issued and, in March, 1990, the total volume regulation governing real-estate financing was enacted. In the area of taxation, measures have been introduced imposing heavy taxes on short-term land ownership, the deduction of losses on interest for land-related loans has been restricted, and the method of appraisal used when in calculating inheritance taxes is being reviewed. In the area of land policies, the National Land Use Act has been revised, and there is now stronger supervision over speculative land transactions. Furthermore, the introduction of a new 1 percent land ownership tax is under consideration.

The Effect on Financial Institutions

foundation of Japan's financial institutions. Let us investigate this matter to see what the chances are of such a crash occurring.

Mention of the land problem suggests residential housing, but such housing is covered by residential loans. The core of real estate-related loans is commercial real estate. Therefore, we should base our examination on commercial building supply and demand.

According to a questionnaire survey on office space supply and demand done by Nomura Research Institute in August 1990, 59 percent of the respondents, companies throughout Japan, replied that they are planning to build, enlarge, or move their headquarters or main stores. This response indicates that the demand is still strong.

The fact that there is still a strong influx of white collar professionals to Tokyo is evidenced by the extremely small amount of vacant office space. Thus, the interest burden created by the rise in interest rates can be calculated at as much as 2 trillion yen, which is quite high. However, in Japan, project financing is done not on the basis of single buildings, but on the basis of past record. If we base our consideration on a combination of the above-mentioned factors, we conclude that there may be some fluctuation, but there is little chance of a plunge in the price of commercial buildings, or of any significant undermining of financial institutions.

If we take a somewhat long-term view of land prices, the urban land price index for all of Japan has risen along with the growth in nominal GNP. As in 1973-74, even if land prices rise in a way that is unrelated to the prevailing trend, they will eventually revert to the trend. These past four years they have become detached from the trend, but if they remain unchanged, and a 6 percent growth of nominal GNP continues, it is probably safe to assume that they will soon settle onto the trend line.

The Impact of Public Spending Amounting to 430 Trillion Yen

How should we judge the impact of public spending amounting to 430 trillion yen?

First to be considered is the effect on industry. Official fixed capital formation in the amount of 358 trillion yen, excluding land cost, can be expected to have a 761 trillion yen effect on industry, via the multiplier effect. The effect will be greatest on the civil engineering and construction industries, of course, but there will also be a significant effect on commerce, and the cement and steel industries.

However, what we wish to emphasize here is that, though industry will certainly be affected, this will be a tremendous opportunity for regional business. Similarly, construction companies operating in the regions will benefit greatly. The construction of sewer systems and regional highways will have an important effect on the lives of individuals, and create a further impetus for this trend toward regional development. Furthermore, there will be numerous major projects in the regions, which may lead to an "era of the regions."

Thus, we can expect that with the construction of housing, expressways, and sewer systems, in the year 2000, the level of the infrastructure in the regions will approach that of Europe and the United States. Looking at the typical rate of diffusion of sewer systems, and with a rate of 44 percent at the end of FY1990, we can predict a rate of 70 percent for the year 2000, which is the current level in the United States. Japan's mission in the last decade of this century, as a creditor nation, will be to upgrade its infrastructure.

Major Changes in the Financial Environment

For the fourth item in our examination, we will examine the economy in light of liberalized financing and financial organization management.

At the end of March 1985, the financial structure of major corporations was such that there were outstanding loans from banks in the amount of 18.1 trillion yen, and outstanding financing in the capital market in the amount of 15.2 trillion yen. At the end of March 1990, the figures for these same categories were 13.1 trillion yen and 36.5 trillion yen, respectively. In other words, for large corporations, outstanding financing in the capital market now far surpasses outstanding bank loans.

What does this change mean to the banking industry? The fact that large corporations have repaid their loans, and continue to accumulate savings has an injurious effect on banks' profits from large corporations. Therefore, the banking industry has focused its financing strategy on small and medium-sized firms. However, during this period, land prices have continued to soar, mainly in the three major economic spheres, causing the results to differ from those originally anticipated.

Between the end of 1984 through 1989, lending increases on the part of city banks, long-term credit banks, and trust banks were directed to the following sectors: construction and real estate (18.3 trillion yen), non-banks (24.8 trillion yen), small and medium-sized distributors and service firms (16.3 trillion yen), and individuals (20 trillion yen). Since loans to individuals were mainly housing loans, all bank loans, whether for stores, buildings, or residences, had some connection with real estate.

The Emergence of Loans to Individuals

One of the main features of this period of "soft" financing is the emergence of individuals as borrowers.

Looking at changes in financing large-scale manufacturing companies and individuals on a cash basis (excluding second-tier regional banks), we see that the former has decreased and the latter has increased. As a result, the two crossed in 1986. At the end of FY89, outstanding loans to individuals surpassed those to large-scale manufacturers by a factor of three.

There is a precedent for this phenomenon in the United States. In the early 1980's, when liberalized interest rates were causing costs to rise, American commercial banks focused on loans to individuals, with their high profit margin. Japan has been following the same pattern. The ratio of the increase in financing to individuals to the increase in savings from individuals for FY89, i.e., the return rate, has grown from 17 percent, five years ago, to 40 percent. The corporate profit structure required by the leading city banks is a 90 percent return rate for individual savings accounts (similar to the policy of the U.S. bank Citicorp), and a contributing factor of 50 percent for profit of all divisions providing financing to individuals.

In other words, banks will strengthen profits from retail business, and decrease the weight of real estate financing, while hoping for a relaxation of regulations in the 1990's. Their strategy for major city banks in the 1990's may be to make up for the decline in profits in commercial banking divisions (which lend to large corporations) by reinforcing investment banking divisions.

Furthermore, in the 1990's, the banking industry may be quick to increase its dependence on the capital market. The reason for this is the existence of the BIS [Bank for International Settlement] regulation.

The Strategic Goal—Augmenting Equity Capital

The BIS regulation, simply stated, is a directive designed to maintain capital reserves at 8 percent.

Banks differ from manufacturers in that two definitions of equity capital apply to them, Tier I and Tier II. Tier I refers to on-the-books capital reserves, which increases through the accumulation of profit in the main business and through equity financing. Tier II covers 45 percent of hidden profits from stocks and, starting this fiscal year, subordinated loans (bonds).

It is the definition of equity capital in a broad sense, i.e., the total of the two, that is currently creating a stir. Though the growth rate for assets has not slowed down, the growth for Tier II has decreased because of the huge decline in hidden profits, caused by the drop in stock prices. Thus, the capital reserve ratio, in a broad sense, has declined more than expected.

The BIS regulation will be strictly enforced starting in 1992. If a company's capital reserves fall below 8 percent, it will be forced to halt overseas operations. Banks have planned a strategy which will enable them to continually maintain the level at 8 percent, and have issued subordinate loans in the amount of 1.5 trillion yen (city banks and long-term credit banks), and 300-400 billion yen (regional banks), to make up for insufficiencies in capital reserves. This has not, however, been enough to fulfill financing requirements. Approximately half the regional banks need some way to increase reserves. The leading city banks need to do a huge amount of fund raising, 200-500 billion yen.

Japan in the 1990's—the Historical Point of View

Tasks for a Mature Creditor Nation—Building an Infrastructure

In conclusion, we will consider what place the 1990's decade will have in history.

The Cold War between the United States and the Soviet Union has ended, and the tripartite era has begun. In this tripartite era, Japan, too, will be a leader. The prerequisites for leadership are the following three.

The first is industry. In each era, there has been a key industry, a "bread and butter industry," and the leading nations have taken the responsibility of nurturing it. In the 19th century, the British era, the key industry was iron and steel. In the 20th century, the American era, it was passenger automobiles. It is not likely that anyone would object to dubbing the tripartite era of the 1990's the era of semiconductors. Thus, Japanese firms, which established their position of leadership in semiconductors in the late 1980's, will make an important contribution to the development of the world economy.

The second is infrastructure. During the British era, the 19th century, railroads were built. In the 1950's and 1960's, during the American era, an enormous number of highways were built, spurring on the unification of domestic markets. What we should pay attention to here is that the building of an infrastructure which symbolized these eras was, in each case, done in the latter half, the mature period of each era. The creation of an infrastructure, which will symbolize the Japanese era, will involve the building of a high-speed magnetic levitation train network and an advanced information network.

The building of this infrastructure will be an important task for Japan, now that it has reached maturity. This is one of the inspirations for the subtitle of this report, "The Evolution of a Mature Creditor Nation."

Making an Active Contribution to the World Economy

The third is finance. In each era, there has been a geopolitical financial center which supported the world economy. During the British era, the focus was on investment in foreign bonds. In the latter half of the 19th century, the current account balance was in the black at a high 2-7 percent of GNP, most of which was directed overseas. After World War II, the United States circulated funds through support measures typified by the Marshall Plan, and direct investment, mainly in Europe. But since the Vietnam war, the European market, where financing has been based on dollars retained outside the United States, has fulfilled that role.

What will Japan's role be in the tripartite era? Japan has always taken a passive role but, as a world leader in the 1990's, it must work actively to rebuild the world economy on a global scale.

In the 1990's, there will be a pressing need for capital transfer, in conjunction with the transfer of production methods and technology. These are areas in which Japan is strong. The main role entrusted to Japanese finance will be direct investment and foreign aid.

Toyota Experimenting With 4-Day Workweek

WA0901023090—FOR OFFICIAL USE ONLY

[Editorial Report] According to an article in the 23 December SHUKAN YOMIURI in Japanese, pages 202-205, Toyota Motor Company will begin experimenting with a 4-day workweek beginning in January 1991. The shortened workweek concept, which will begin with 70-80 employees at two Toyota plants—its casting and forging plants in Miyoshi and Tahara, Aichi Prefecture—is one element in a package of changes the auto giant is considering to confront its worsening labor shortage problems. Worker opinion surveys, the article notes, show that few workers are attracted to the auto industry. This fact, together with the labor shortage, has forced Toyota not only to plan for shortened working hours, but also to undertake assembly plant and management reorganization measures.

Background to 4-Day Workweek Plan

Toyota's plan is to reorganize small groups of workers, now divided into two groups working two shifts, into three groups that will work two shifts, thus enabling each employee to have nine days off every three weeks. Although each workday will be extended by 1 and ½ hours, the total yearly work time would drop from the present average of 2,088 to 1,800 hours. This figure corresponds with the Labor Ministry's goal for annual working hours.

The article quotes Yasuo Sasaki, Planning Bureau chief of Toyota's labor union, on the genesis of the new program: "Two years ago, our workers and management went on a European inspection tour to observe automobile assembly and production design arrangements there. We felt Toyota's *kanban* system was most efficient, but also found many points worth emulating in the Volkswagen and Mercedes Benz plants, which have a high degree of automation. So we set up a labor-management time study committee to consider how, given the labor shortage, we could advance automation and shorten working hours. Of the several plans that emerged, the one that stood out was the 4-day workweek."

Although other Japanese companies, department stores in particular, have introduced a shortened workweek, Toyota's plans are the first by a large enterprise with more than 10,000 employees. Sasaki observed that "no concrete goals have been established as to when and what positions the program will be expanded." "There are problems with how far we can go with this, how the employees will take to it, and also how it will affect wages."

The article notes that a shortened workweek will have a major impact on Toyota's *kanban* system, its famous just-in-time manufacturing system. Since this system ties Toyota closely to its nearby parts suppliers, the gains to Toyota from a 4-day workweek "may be at the expense" of its parts suppliers and subcontractors. According to a labor union source, "some people are concerned that a reduction in working hours by big companies will shift the burden down to their small and medium-sized subcontractors. They fear that if we say 'we're off here on Fridays, so have the parts ready and deliver them on Monday instead,' the other company's employees won't be able to take off either Saturday or Sunday." Sasaki feels that the shortened workweek "may be incompatible" with Toyota's *kamban* system.

Rengo, the Japan Trade Union Confederation, applauds the effect Toyota's move will have on overall working conditions in Japan. According to the head of Rengo's Shortened Work Hours Center, "We support this thing Toyota is doing for us inasmuch as its influence [on other sectors of industry] will be great." He noted that Matsushita Electric also has committed itself to effecting an 1,800 hour work year, which has "stimulated workers in other electronics companies" to negotiate reductions in total working hours.

Among the other measures Toyota has taken to deal with its labor shortage, the article notes, is the transfer of some company operations now concentrated in Aichi Prefecture to outlying areas in Japan. Three new assembly plants—in Hokkaido and Miyagi and Fukuoka Prefectures—are scheduled to open in late 1992 and 1993. Toyota is considering whether to fully introduce a 4-day workweek when these plants begin operation.

Toyota Management Streamlining Steps

Toyota also is undertaking reforms in its corporate management structure, the article notes. Beginning in August 1991, Toyota will eliminate two management layers from its four-layer "pyramid" management hierarchy and create a "flattened" system, in which staff work will be handled directly under a division chief and office head. This measure is designed in part to attract workers to the auto industry. According to Kiko Kobayashi, author of the book *Toyota's Great Experiment*, one reason the auto industry lacks appeal to workers is that the proliferation of posts and subdivisions inhibits worker mobility.

But organizational reform has not yet reached factory floors, the article observes. Auto assembly plant work flows vertically, and "you can't simply flatten it out." Author Kobayashi notes that because of this, "for the present Toyota will move toward improving working conditions. Of course, this is tied to a shortening of hours."

Hitachi, Ltd. President Interviewed on Management

912A0071A Tokyo ZAIKAI in Japanese
20 Nov 90 pp 56-59—FOR OFFICIAL USE ONLY

[Interview with Hitachi, Ltd. President Katsushige Mita by ZAIKAI Editor-In-Chief Hirobumi Murata: "Consider Future Operations When It Seems There Is a Yellow Light Lit in the Domestic Economy"; place and date not given]

[Text] **Hitachi, Ltd. President Katsumori Mita is working to promote perestroyka in his company including its organizational reform. At this time when business prospects including that of the high value of the yen are unclear, what would be the image of the future Hitachi which President Mita is conjuring up and what views will**

he be holding as to relations between manufacturing and financial sectors and the role of manufacturing in the entire realm of industry?

Conversion Rate of Y120 Still Okay

[Murata] Business has thus far been smooth, bolstered by equipment investment in the private sector and by personal consumption. However, the prospects of the world economy are now unclear because of events such as the Iraqi invasion of Kuwait in mid-year. At home, the stock market is sluggish, and financial institutions are called to task over the land issue. It thus seems that the Japanese economy, too, is entering a great transition period. Amid problems at home and abroad, may I hear your views on future business conditions?

Mita: Business had been smooth until the first half of this year; however, I feel that it has now come to the crossroads. I feel as if obstacles are piling up before us. As you just said, in the current business boom, personal consumption and equipment investment have been two tractor engines, which have pulled the entire economy with a strong force. Equipment investment has particularly been smooth thus far. However, interest rates have risen considerably, making it very difficult to get loans from banks. Moreover, on the part of banks, they face the need to reach what is called the BIS [Bank for International Settlements] standards with regard to cheap stocks. To this end, they require a curtailment of their total assets, so, I hear, they are reluctant to extend loans.

[Murata] What effect will all this have on large enterprises?

Mita: When looking at problems caused to enterprises such as ours, we may cite as one effect that of fund procurement in the capital market. The recent sharp fall in stock prices is said to have narrowed the range of equity financing and, accordingly, fund procurement is becoming very difficult. This will inevitably compel us to become prudent in equipment investment, and I think that such a development will, after all, have large effects on future business activity. In addition, the current Iraq-Kuwait dispute has touched off crude price hikes, which are pushing up material costs in many ways. In the case of our firm, we are not giving too much weight to petroleum as fuel. However, we are using plastic substances with a petroleum base,

That is, the figures are different according to each different product. There can be no specific figure which represents a common level for all products. Yet, when the value of the yen goes up, products which are traded by weight are affected more. Manufactured goods in the field of electronics still have some margin of profit because they not only carry high added-value but also they are competitive. Nevertheless, in this field as well—even if the field says it can tolerate up to the rate of, say, Y110—there will be greatly reduced profit, should the rate change from Y150 to Y110, because primary costs do not change immediately.

[Murata] As you just said, the capacity to cope with a particular exchange rate of the yen is different for each commodity. However, during the period following the Plaza Accord (1985) when the value of the yen was high, Japan's industrial world, particularly its manufacturing sector, strived for some time to raise this capacity to the level of about Y100. In this context, it is my feeling that the manufacturing industry can withstand up to the rate of Y120, can it not?

Mita: I think it can. However, it certainly means a fall in the margin of profit. At any rate, when we look back upon our past, we will find cost-reducing efforts in every product field in the process of shifting from the cheap yen to the high-valued yen. These efforts proved useless for some products, though. All such products have dropped out of export competition. As a consequence, currently the main export items are, in contrast to the past, manufactured goods which are not affected by the rate of exchange and carry high added value such as computers and semiconductors. In the past, many of the export items were heavy-type electric appliances and equipment; however, their export value has now fallen considerably.

Eliminating Plants' "Han [a feudal domain]-Consciousness"

[Murata] Now, what are your views on the trends of personal consumption? I understand that Hitachi, Ltd. also handles electrical home appliances and, therefore, is deeply concerned with this field as well.

[Murata] That is right, because dealings in land and stock, which have thus far led the domestic economy, are now certainly beginning to be sluggish.

Mita: Yes, they are. It is felt that a yellow light has been lit. Therefore, in developing products for example, we are calling on our workers to grasp market needs and develop products in such a way as to meet these needs. With regard to our style, we have thus far been inclined toward technology-oriented development. However, in developing products, it becomes important not only to develop related technology but also to study convenient usage to suit consumers' needs and, to this end, at what level the prices should be set. We are paying attention to the fact that our firm is weak in this respect even if it excels in research and development. To tell the truth, we are now working to make various improvements, including organizational revamping.

[Murata] It is said that each plant of Hitachi, Ltd. is like "*han*" in the Edo period because it separates itself from the main office and has a strong sense of independence. Do you mean to say that you will eliminate this "*han* consciousness" and correct relations between the main office's business departments and respective plants?

Mita: At any rate, managerial environments have changed. Each plant, at times, cannot grasp the full picture if it sees things only from its own standpoint. Therefore, it is necessary for each related business department to play a central role and lead and instruct plants and research stations under its jurisdiction to develop products meeting market needs. Each department should decide on the distribution channels for selling products and components. In short, I am planning to let business departments assume the role of a command post in a forceful way.

[Murata] Have you not faced resistance within the firm or opposition from plants?

Mita: I have not faced any particular resistance; however, it appears to be difficult to change one's way of thinking in some respect. When continuing to live at one place, humans have the inevitable inclination to become accustomed to their conventional mode of life and way of thinking and continue their work in the same manner. As I said just before, heavy-type electric appliances and equipment have a limited market, and in such dealings specified big customers give us various instructions including what type of, say, generators they want this time and at what prices. Therefore, such commodities involve a relatively simple cycle of work.

However, other manufactured goods require more complex and diversified processes, making us consider whether former marketing routes are still workable and what their prices should be this time. In addition, when a new performance quality is added, it unfailingly increases the number of components, consequently raising the primary cost. However, would customers really understand the rise of the primary cost? More specifically, would they readily pay Y30,000 more after our explanation that there is this much difference in performance quality between the product of Y150,000 and that of Y80,000? We have to ask all these questions to ourselves when we make plans.

[Murata] You mean to say that each commodity should, indeed, be tackled differently. Well, changing our topic a little, what do you think of the new land ownership tax, which is now under active debate?

Mita: As you see, many opinions are now being expressed. It is very difficult to pass judgment on this issue, but my feeling is that it is not necessarily clear for what purposes the new tax is to be established. I think this should be clarified first. Properly speaking, the present land issue is somewhat unclear with various factors complicatedly entangled with one another. It is apparently a gratifying thing for either individuals or firms to see their land prices go up. However, the land owner will eventually have to pay markedly increased inheritance as well as fixed assets taxes simply because the value of the land has gone up. We are human beings, and naturally we feel good when the prices of our living places soar. However, the merit of the rise is too small.

Profits Are Similar to Scholastic Marks

[Murata] Concerning the steep rise in land prices for instance, there was a view that it was partly blamed on the increase in the supply of loans by the financial institutions. Therefore, since this spring, the Finance Ministry has been working to provide guidance for the enforcement of the real estate financing regulation. On the other hand, there is also soul-searching going on among industrial circles regarding their past absorption in money games. Some say that financing is a main prop of the industry and, therefore, it should be reviewed from an original standpoint. What do you think in this respect?

Mita: I think that it is very important to soul-search in this regard and review things from the original standpoint. Personally, I think that the purpose of our enterprise management is to contribute to society through our manufactured goods and services. People are not obligated to buy things that are not made to their satisfaction, and we are doing business upon this principle of competition.

Profits are something like scholastic marks, and they are nothing but an index to how much one's efforts have been successful. I frequently stress in my company that we should not have a mistaken notion in this regard. If we make efforts and carry out work successfully, profits will accrue without fail and the management of our firm will go smoothly. On the contrary, if we first set profits as our goal, I think we may possibly find ourselves in an awkward situation.

[Murata] Now I would like to ask about relations with financial institutions which are now bearing the brunt of criticism. How will relations between banks and industrial organizations develop in the future, particularly in the field of fund procurement?

Mita: As for large enterprises, they have passed through the period of booming business and have accumulated capital as a consequence. They have also procured funds from the capital market. Accordingly, they have funds on hand to some extent. Therefore, I think that they are okay in terms of funds unless they make sudden, exorbitant investments at this point. Nevertheless, if the current sluggish situation continues for one year, and even further two years on the stock market, their funds on hand will gradually lessen. After the passage of these years, at what levels will the stock prices be and how will the capital market be. These will remain as big questions.

[Murata] Touching on relations between the manufacturing business and the entire industrial sector, what do you think is the role of the manufacturing business?

Mita: There will be nothing we can do in a world where the manufacturing business no longer exists and only money is moving around (laughter). I say the following thing quite often. When people are asked when their happiest time is, many of them will answer it is when they get a pay raise. However, after receiving their increased pay for, say, three times, they will gradually take the pay raise for granted and forget it. Well, as for me, my happiest moment is when I meet my guests who say that they have bought Hitachi products, that they are really satisfied with them, and that they think they made a right choice by buying Hitachi products. I say these remarks give me the happiest moment, because they remain in my memory always.

Mongolia

Parliamentary Delegation Leaves for USSR Visit

OW0901192791 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1715 GMT 9 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 9 Jan (OANA-MONTSAME)—Today a delegation of Mongolian legislators led by S. Dzorig, chairman of the Executive Committee of the Mongolian parliamentary group has left for the USSR to hold meetings with their Soviet counterparts.

U.S., PRC, ROK Draft Agreements Approved

OW0701180491 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1331 GMT 7 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 7 Jan (OANA-MONTSAME)—As the paper "ARDYN ERH" reports the Mongolian Government at its meeting, the first in the New Year examined and approved the draft agreement of the Mongolian and American Governments on the setting-up of a bilateral working group for promotion of trade and authorized S. Bayarbaatar, Mongolian minister of trade industry to sign the said agreement. The government also approved the draft agreement of the Mongolian and Chinese Government on trade and authorized G. Doyod, vice trade and industry minister to sign the agreement. Besides, the meeting examined the issue of customs control over the trade turnover. However, the final decision on this issue was put off because of the lack of preliminary agreement reached by relevant ministries and organizations.

The government also approved the agreement by the Association of Industrial and Service Cooperatives of Mongolia and the South Korean firm "Yurika Trading" on the setting-up of a joint firm named "Altai." It instructed the Ministry of Trade and Industry to grant the firm the right to foreign trade operations.

The central headquaters of the firm will be situated on the Mongolian territory. The Mongolian party to the agreement will allocate the land for the firm's premises, stores and the bulk of staff at a cost of 990 thousand dollars. The South Korean party will also invest 990 thousand dollars.

Government Approves Joint South Korean Firm

OW0701180291 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1325 GMT 7 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 7 Jan (OANA-MONTSAME)—The government at its recent meeting approved the agreement signed in December last year by the Association of Industrial and Service Cooperatives of Mongolia (AISCM) and the South Korean firm "Yurika Trading." The agreement anvisages the setting up of a joint firm named "Altai" on the Mongolian territory. The firm is designed to set up and run in both countries small and medium-scale enterprses and undertake joint projects on exploitation of natural resources.

We hope that the setting-up of the "Altai" firm will open up Mongolia to further South Korean investments into Mongolia, said P. Jasrai, president of the AISCM, commenting on the approval by the government of the aforementioned agreement.

Democratic Party Adopts New 'Liberal' Rule

OW0701180591 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1323 GMT 7 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 7 Jan (OANA-MONTSAME)—The extraordinary Congress of the Mongolian Democratic Party (MDP) finished yesterday adopted the party's new rule which according to the leaders of the MDP is "more liberal than the previous one."

During the discussion of organizational matters 6 out of the 7 candidates to the post of chief coordinator of the MDP Political Consultative Centre—the party's supreme body withdrew voluntarily their candidatures. Only E. Bat-uul who has been MDP leader since its inception was left to run on. He was re-elected to this post by the majority of votes.

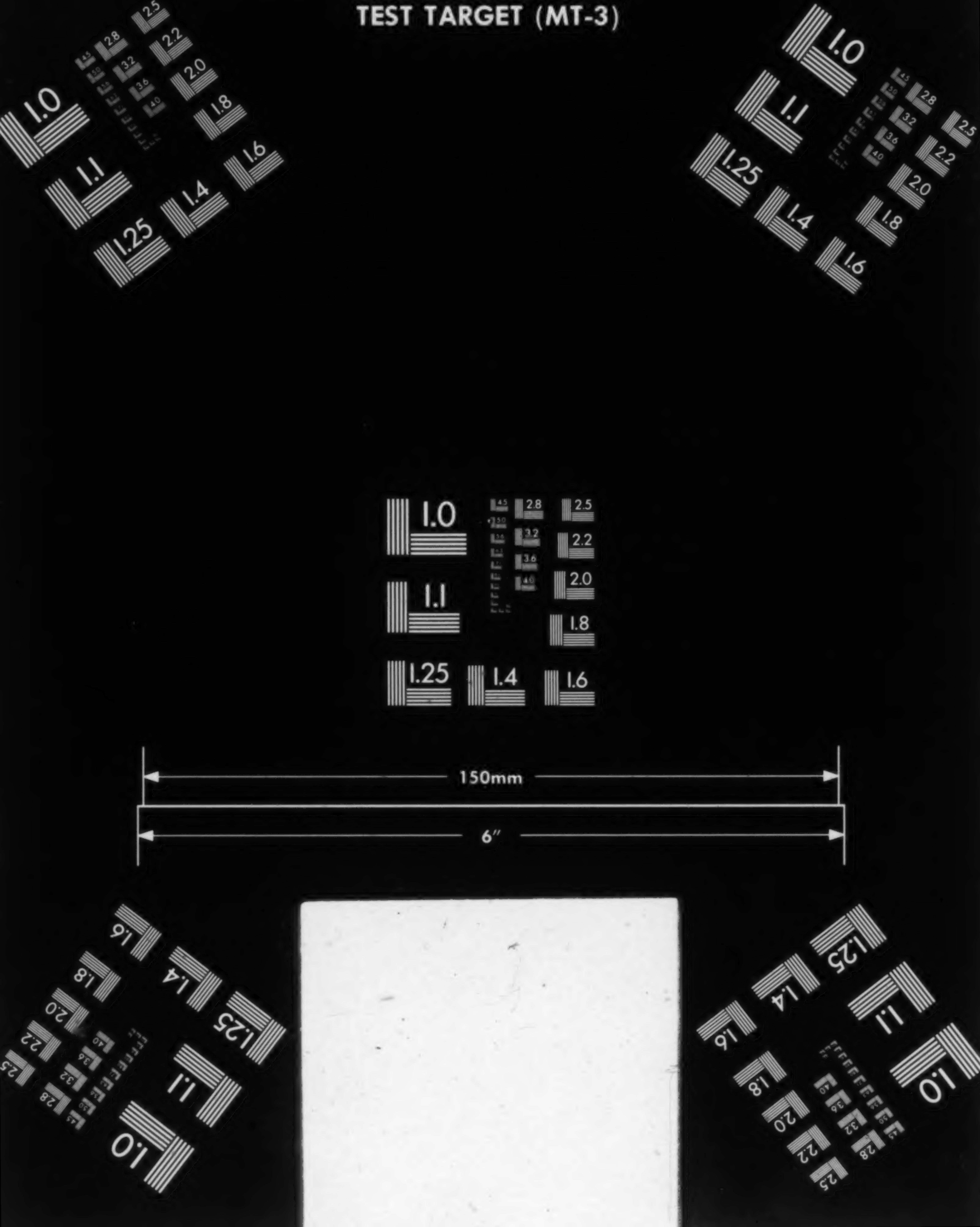
Foreign Investments for Oil Prospecting Sought

OW0701175491 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1328 GMT 7 Jan 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 7 Jan (OANA-MONTSAME)—The Mongolian Government has decided to pass on to parliament for examination a draft law on petroleum. According to D. Sodnom, president of the firm "Mongol Gadzryn Tos" (Mongolian Oil) the draft law envisages the creation of favourable terms for potential foreign investors to Mongolian oil industry. He considers that only with the involvement of foreign investments and advanced technology Mongolia will be able to create its own national oil industry comprising the prospecting, exploitation and processing of petroleum.

The recent meeting of the government authorized some interested foreign firms and companies to make investments into oil prospecting projects on the Mongolian territory for next two years.

IMAGE EVALUATION
TEST TARGET (MT-3)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